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PARIS, MONDAY, OCTOBER 17, 1988

**ESTABLISHED 1887** 

Manila



#### Dodgers Rejoice in a Good Man in a Pinch

Kirk Gibson at the plate in the bottom of the ninth inning before his two-run home run gave the Los Angeles Dodgers a 5-4 victory over the Oakland Athletics in the first game of the World Series in Los Angeles. Gibson, out of the lineup with leg injuries, was pinch-hitting with two outs. Storm Davis of the A's and Orel Hershiser of the Dodgers were to start Game 2 on Sunday. Page 19.

### Two Party Leaders Quit in Yugoslavia

Jostling Continues Before Showdown

BELGRADE — Two members of the Yugoslav party's ruling Polithuro resigned on Sunday, on the eve of a key Central Committee session at which sweeping personnel changes are expected, the official Tanjug press agency said.

The two members were Kolj Siroka, from the ethnically torn province of Kosovo, and Milanko Renguica from the central centralic complex.

ovica, from the central republic of Bosnia-Herzegovina. Mr. Renovica was among the

many top officials whose resignation was expected, but the move by Mr. Siroka was a surprise. His region had resisted pressure to re-

move its top officials.

Mr. Siroka, 66, has been under attack from Yngoslavia's biggest republic, Serbia, for allowing the Macedonia, said at a news confertionalism of ethnic Albanians to

grow unchecked in Kosovo.

The Yugoslav press had criticized Mr. Renovica, 59, saying he was involved in issuing illegal building contracts and was generally incompetent. He joined the Po-lithure in June 1986, when he became president of the party for one year under the country's rotating system of collective leadership.

■ Serbian Under Attack Jackson Diehl of The Washington Post reported earlier from Belgrade:

As Yugoslav leaders prepared for the Central Committee meeting on Monday, the Serbian leader, Slobodan Milosevic, was under growing attack for his mobilization of crowds and his demands for the resignation of provincial officials.

Mr. Milosevic has touched off a



heavily damaged by a bomb in Palo, Philippines. The police said

Rallies organized by the Serbian A bronze statue of General Douglas MacArthur after being eadership in support of Mr. Milothey thought the bomb had been planted by Communist guerrillas.



Governor Michael S: Dukakis and his wife, Kitty, conferring with aides aboard the Democratic presidential nominee's campaign plane.

### A 15: 0 TH ROLIDASIS

### Dukakis Plans 'All Out' Drive

By Paul Taylor and David S. Broder Washington Post Service BOSTON - Fighting a wave of defeatism after the final presidential debate, Michael S. Dukakis's managers have set forth a 17-state strategy, keyed to basic economic

issues, that they say will give the Massachusetts governor a realistic chance of defeating Vice President George Bush.

### Kiosk

#### French Pledge To Back Franc

PARIS (AFP) — Finance Minister Pierre Bérégovoy said Sunday that he was pre-pared to increase interest rates to defend the franc.

Pressure on the franc is caused by a dropping dollar and by the social climate. that plays against us," be said in a radio interview.

I am against all devaluations, whatever the circumstances," he said. "They impoverish the country and those

less well off." MONDAY Q&A

Alexander King, president

of the Club of Rome, ex-

plains the organization's

Page 2.

After a day of top-level meetings at campaign headquarters in Bos-ton, Leslie Dach, the Dukakis communications director, said Saturday that the Democratic nominee would argue that "the issues at stake are too important for the press and the Republicans to shut his election down three weeks before it happened." To counter the impression that

Mr. Bush closed the door on a Du-kakis comeback by besting him in the debate on Thursday, Mr. Dukakis's managers said they were plan-ning an "all out" drive in 17 states and the District of Columbia, which together control 272 electoral votes, two more than needed for

Those states, all of which the Dukakis aides described as favoring the governor or being even, include the electoral giants of New York, Pennsylvania, Ohio, Michigan, Ilinois and California, as well as Massachusetts, Connecticut, Vermont, Rhode Island, Maryland, West Virginia, Iowa, Wisconsin, Oregoo, Washington and Hawaii. A second tier of states, where Mr. Dukakis's aides say he is trailing but is still in contention, will receive attention as well. They are Montana, North and South Dako-

ta, Colorado, New Mexico, Missoun and Kentucky Texas and New Jersey have been

By Stephen Kinzer

New York Times Service

MANAGUA - Although the machine guns

and mortars that echoed across Nicaragna for

six years have largely fallen silent, the country is facing a profound social, political and eco-

nomic crisis that diplomats and political lead-

ers say will probably take years or even decades

There is considerable debate about whether

it is the United States-backed rebels, known as

contras, that have caused the crisis, or the

Sandinista government. But no one here doubts

its severity.
While Nicaragua's economy has been deteri-

orating for at least five years, the rate of decline has sharply increased in recent months. Chil-

dren beg for food in the streets, and groups of

imemployed adults congregate on corners in

to resolve.

poor neighborhoods.

dropped into a third category states where the ticket faces a clearly uphill battle — along with North Carolina Tennessee, Arkansas

Louisiana and Georgia. While the Dukakis forces were scrambling to regain their footing. Mr. Bush's strategists expressed confidence that the Republican nominee was on a straight path to

"There will be no change in strategy," said Lee Atwater, the vice president's campaign manager. He said the campaign would continue to mix attacks on Mr. Dukakis with positive proposals from Mr. Bush in the same proportions that have worked so far.

Late Saturday, the Dukakis strategists started work on a speech that the governor is to deliver on Monday in Ohio as a keynote for his closing drive — an effort, one aide said, to set a "clear, consistent" message that he can repeat in personal appearances and adver-

Democrats outside the Dukakis campaign said the nominee faced a daunting triple challenge: he must find a way to blunt the Republican attacks that have controlled the campaign dynamic; he must focus voters' minds on his own plans for the presidency, and he must revive

See DUKAKIS, Page 7

Nicaragua's Woes Grow, Despite Peace

At La Mascota, the main children's hospital

in Managna, many patients are severely mal-nourished infants. "They live in filth," said Dr.

Fernando Silva, the bospital director, "they

have no clean water and they eat out of garbage

dumps.
"We can't even estimate how many get sick

A survey of 2,829 children taken several

"We are seeing many cases of robbery of

weeks ago by the Ministry of Health showed

that two-thirds were suffering from malnutri-

food," said Ramon Rojas, a criminal court

indee in Managua, "especially meat and grain,

in quantities that are only enough to feed one

person or a few people.

Without a doubt, the country's economic

crisis is a major factor in the increase in crime."

Evidence of worsening problems in Nicara-

and die without coming to the hospital."

### **Bush Says**

#### Polls Won't Lull Him The Associated Press

DENVER -- Vice President George Bush said Sunday be was ready to "hit the ground. running" as president and to designate a cabinet swiftly but that he would not be fulled into regarding an election victory as inevitable.

There was speculation that I was dead three months ago," the Republican candidate said, trying to discount recent polls showing him with a widening lead over the Democratic candidate, Governor Mi-chael S. Dukakis of Massachusetts.

He vowed to wage a spirited

battle in key states right up to Election Day, Nov. 8. [However, the Bush campaign, sensing new opportuni-ties after the presidential de-bate last week, is exploring ways to help flagging Republi-can candidates for the U.S. Senate. Page 3.] Mr. Dukakis, meanwhile,

See BUSH, Page 7

### A Year Later: What Collapse?

By Reginald Dale onal Herald Tribune

PARIS - Everything seems to

side the meeting in Belgrade.

the political crisis in Yugoslavia,

"It is impossible for the presi-

ity for the deteriorating Yugoslav economic and political situation,

which is not the case of a month or

two months but of a decade," Mr.

See RESIGN, Page 7

Tuperkovski added.

The world economy is humming along at one of the fastest rates of the 1980s. Business and trade are booming. And, at least in most of the richer countries, consumers are consuming as if nothing had ever happened to dull their appetite. And if international economists are warning of anything, it is likely to be of the dangers of complacency.

Indeed, one year after the world financial system was rocked by the steepest stock market collapse in history, it would be easy enough to conclude that, in the final analysis, it didn't happen at all. Or, perhaps more disturbing, that it didn't really matter at all.

Where, after all, is the world recession, the continuing financial turmoil, the retrenchment, the damage, that was to have been the ceacy of Black Monday? Twelve months later, not only has there been no recession, but the world economy is expanding at a remark-

Black Monday: A Disaster That Wasn't Tokyo has emerged as leader

of the international financial markets. Germans have replaced foreign investors as the main market force in Frankfurt. Page 17.

Experts assess the lessons of the collapse. fastest since 1984 and far more

than even the most unshakeable optimists expected only a few months ago. And numerous analysis now be-

lieve, with hindsight, that the dra-matic events of last October may even have been a blessing in dis-

In retrospect, said John Calverley, senior economist at American Express Bank in London, the crash may not have been a symptom of basic tensions in the world economy, as many thought at the time. but the resolution of those tensions.

It allowed steam to come out of The crash, and the recession

fears it provoked, "allowed interest rates to fall, and the dollar to come down, leading to a correcting of the U.S. trade deficit. It kept us going for another year." Mr. Calverley

> Berlin, the French Finance Minis Secretary of State George P. Shultz ter, Pierre Beregovoy, noted that, and Mr. Manglapus. "Whereas a year ago the experts feared that the stock market crash would plunge the world economy into recession, it appears today to have had a healthy effect."

While many questions remained unanswered in the wake of the market debacle, be noted, one today detects a "certain cuphoria" about world economic prospects.

Although few would deny that major risks and uncertainties lay ahead, the prophets of instant doom last autumn have been proven embarrassingly wrong. "A lot of people are now looking pretty sil-

See IMPACT, Page 17

25,746,58

#### able annual rate of 4 percent - the **World Stocks One Year Later** A comparison between leading index closes on Friday, October 14, 1988 and Monday, October 19,1987. Oct. 14, 88 Oct. 19,197 Percent change Close from Oct. 19,197 1,840.B 2.05230 -103 Publisher 1987 Downwest Rouselet average Houselet average Houselet average Paris 352.4 1,744.1 -8:1 2.593.0 3,382,39 -22.9

27,306,57

### **Small Investors Get Smaller**

By John Meehan

ational Herald Tribuna NEW YORK - In that most American of phenomena, a bet on a "sure thing," millions of Americans suddenly had one thing in com-mon: the market. Caught up in the national fervor for a market going only one way — up — cabbies and hairdressers joined lawyers and doctors in the populist pursuit of making money.

countryside, the police are arresting hundreds

of people suspected of supporting the contras.

In cities, large numbers of workers who have

voted to quit pro-government unions have been

Military recruiters regularly raid villages and neighborhoods to seize young men eligible for

military service. The flood of people leaving the country includes not only trained professionals,

but also impoverished peasants and despairing

Internationally, the Sandinista government

appears more isolated than ever. Although

some European nations, particularly Sweden and Norway, are still providing tens of millions of dollars, Western aid remains far below what

is necessary to sustain the economy. The Soviet

See NICARAGUA, Page 7

forced out of work.

Bot one year after the Dow Jones industrial average plunged 508 points to snap the longest-running bull market in U.S. history, it is clear that the individual, or investor, is the major casualty.

He has lost interest in stocks. turning instead to certificates of deposit and money market funds. His once unwavering confidence in the ability to make money on the stock market has turned to mistrust not only when, but if, he'll come

They're upset and angry at Wall Street," said Hugh Johnson, chief bany Corp., a regional brokerage that derives 70 percent of its revewill take time before they come

A survey of 2,300 individuals by Al Sindlinger, whose Media, Pennsylvania polling firm has been tracking investor sentiment for 40 years, found that the number of households owning stocks or mutual funds has dipped to between 24 and 25 percent compared with 31 percent last January and 33.3 per-cent at the time of last October's

"A lot of these investors see no reason why they should go back into the market," said Mr. Sind-

It is not that individuals have responded noticeably differently than institutions to the October de bacle, Black Monday and Terrible Tuesday and the subsequent comparisons to 1929 panicked every-one. Then, in the weeks that followed, retail and institutional investors began buying shares on the view that the market was cheap.

Since then, the analogies to the Great Depression have stopped. — and increasing numbers of econ—
The bargam-hunting ended in Janomists and analysts are wondering usry. The Dow has settled into a trading range of 1,950 to 2,150. And though few forsee the possibility of another collapse of the mag-mtude seen last Oct. 19, it is diffiinvestment strategist for First Al- cult for investors to overcome their

"It's not a bull market. It's not a nue from individual investors. "It bear market. It's a wilting market," said Stephen Einhorn, chief investment strategist for Goldman, Sachs

> Still, a disturbing aspect, in the opinion of many analysts, is that the retail trade continues to deteriorate at a time when other participants have decided to wait out the current market malaise. Some big in making a detonator using the investors, most notably foreign institutions, have even displayed a potassium, phosphorus, chlorine willingness in recent months to test

the waters on occasion. Individual investors have accounted for about 27 percent of the

See INVESTORS, Page 17

### Agrees on U.S. Bases 2-Year Renewal

### To \$481 Million

Will Raise Rent

By Don Oberdorfer Washington Part Service
WASHINGTON — U.S. and Philippine negotiators have agreed on terms for the continued operation of two strategic U.S. military bases in the Philippines for the next two years and plan to sign an accord at the State Department on

Monday, according to Reagan administration officials. [The Philippine president, Cora-zon C. Aquino, said Sunday that final sticking points had apparently been resolved for the signing on Monday, The New York Times re-

ported from Manila. [She did not elaborate, but said she did not elaborate, but said she had spoken by telephone with Foreign Secretary Raul Manglapus, who has been engaged in final negotiations in Washington.]

The accord, under negotiation since April, will provide \$481 millions in [18].

lion in U.S. compensation in 1989 and 1990, up sharply from the current \$180 million per year for use of Clark Air Base and Subic Bay Naval Base

The Philippines bad been asking for \$1.2 billion annually, but Washington had consistently said that such large sums could not be provided in an era of U.S. budget ceil-

ings.
In the end, Philippine negotia-tors said they would settle for a Reagan administration statement that the next U.S. administration would seek to help Manila reduce its \$28 billion external debt by creative uses of the proceeds from a Multilateral Aid Initiative that the United States, Japan and other countries are planning for the Phil-

ippines next year.

The wording of the U.S. statement on debt reduction was still under discussioo among U.S. departments and agencies. An official said it was expected, but not yet certain, that interagency agreement And, summing up the mood at on this point would permit the cerlast month's annual meeting of the emonial signing of a "memoran-International Monetary Fund in dum of agreement" oo the bases by As a concession to the Philip-

See MANILA, Page 7

### Sabotage Is Ruled in Zia's Death

Compiled by Our Staff From Dispatches ISLAMABAD — The plane crash in which President Mohammed Zia ul-Haq of Pakistan was killed was caused by a "highly sophisticated act of sabotage," the Pakistani team investigating the crash said Sunday.

Secretary of Defense Ijlal Haider Zaidi ruled out technical failure as the cause when he released a report on the crash. The Lockheed C-130 transport went down in eastern Pa-

kistan on Aug 17.

The report said that 3t people died in the crash, rather than the 30 officially reported earlier. There was no explanation of the discrepancy.

Also were killed in the crash were

the U.S. ambassador to Islamabad. Arnold L. Raphel, and the military attache, Brigadier General Herber M. Wassom.

Mr. Zaidi said the Pakistan Air Force investigation board, headed by Air Commodore Abbas Mirza and assisted by U.S. experts, found no evidence of mechanical failure in the C-130 aircraft. "It was not a technical failure,"

he said, contradicting reports attributed to Reagan administration officials last week that a malfunction had caused the crash.

The officials said Americans on the crash investigation team had concluded a malfunction was involved, but they refused to say if the crash could have been caused by sabotage. The Americans on the investigation team included experts from the U.S. Air Force and Lock-

Mr. Zaidi said there was "no evidence of high-intensity or lowintensity explosion" on the plane. But the report said that traces of low-intensity explosion might have been destroyed in the burning wreckage and that this possibility could not be ruled out.

The investigators found some chemicals in unusual quantities, especially on remnants of mangoes. Two crates of mangoes were loaded on board at Bahawalpur shortly before the plane took off.

A scientific team had succeeded and antimony, the report said.
It speculated that a low-intensity device could have been used to release poisonous gases into the cock-

See ZIA, Page 7

Daily Source for sentional Investors

new start 20 years after its founding.... General News Yitzhak Shamir, on the campaign trail, fights on for his vision of Israel. Page 5.

### U.S. Links 1989 Dues **To Further UN Changes**

By Paul Lewis New York Times Service UNITED NATIONS, New York — The Reagan administra-

tion has told Secretary-General Javier Perez de Cuellar that it plans to continue withholding part of its UN dues this year until a key committee approves a new austerity budget and other administrative changes, American and UN officials said.

As a result, UN officials warned Friday, the organization may face a new cash crisis later this year, particularly if it is called upon for new peacekeeping operations.

Last month President Ronald

Reagan ordered the payment of \$44 million in outstanding U.S. dues owed for the 1988 fiscal year. which ended Sept. 30, saying that he was satisfied that the United Nations was making good progress toward carrying out an agreed pro-gram of administrative changes. Congress had made the release of



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this money conditional on such a presidential finding. At that time, the White House said in a statement that the president expected to be able to make a similar determination releasing \$144 million more owed for the 1989 fiscal year when the money became available for payment Oct. I, at the start of the new fiscal year.

The White House also ordered the State Department to work out a multiyear plan for paying \$520 mil-lion in past debts owed the United Nations and its specialized agen-cies, such as the World Health Organization and the International Atomic Energy Agency.

The Reagan administration handed the United Nations a check Friday for \$85.6 million, representing that part of the \$144 million Congress has appropriated for the organization in the current fiscal

The remaining \$59 million is the money that will be withheld until the administration sees the result of the committee's work and documented evidence that the United Nations is continuing to carry out budgetary and administrative

changes.

Although the Congress appropriated \$144 million for the UN headquarters in New York in this fiscal year and last, the money represents only about two-thirds of the about \$212 million the United States is committed to pay the United Nations each year under terms of the UN Charter.

### At 20, Club of Rome Sees a New Start

The Club of Rome, the international group concerned with world problems and the future of humanity, attracted widespread attention in the 1970s with its report, the Limits to Growth, which warned of the dangers of uncontrolled economic expansion. Now celebrating its 20th anniversary, the club hopes to reinvigorate its activities at a conference in Paris next week. Reginald Dale of the International Herald Tribune talked to Alexander King, the club's president.

Q. Why does the club need to be re-

A. We've come to the limits of what we can do with our rather amateur approach with oo structure and no paid secretariat. We feel that the need for a body of politically independent individuals from all over the world who are concerned with the future is greater than ever and the possibilities for useful action are greater. We've got to streamline our approach and become more professional. We've got to obtain some resources so that we can extend our work. But the basic spirit will remain.

Q. What are the club's basic objectives? A. The objectives are to look with a long-term perspective at the basic problems facing human society, the interconnection between them and the need to tackle them all simulta-Apart from the overall problem of war and

peace, the biggest problem at the moment is the increase in the world population and its effects on the environment, a situation of enormous political dangers.

There is a close interrelationship between the problems of population, the environment, energy use, migration and the rise of the sea level from the greenhouse effect, which could, for example, make Bangladesh disappear.

ly, and we're all, particularly in the industrial-ized countries, consuming more, demanding more energy, more food, better food, and Q. What will happen if these problems are

A. Nearly all these problems are to a major extent soluble. If they are not solved there could be a menace to the whole human condition, a return to a kind of barbarism, a general collapse. But there is oo need for it to

#### MONDAY O&A

Q. Are the problems worse than when you founded the cinb 20 years ago?

A. The problems, I think, have changed to some extent but the very basic situation is similar. One good aspect is that there is much

more public awareness of the problems and I

think our work has contributed to that. The big changes have been the worsening of the nuclear menace, and then recently some appearsement of that, and secondly recently ognition of the consequences of the world population explosion, which means for the first time human activity is beginning to in-fluence the total world climate and environment in a way which could be irreversible,

and could be as dangerous in the end as a

nuclear holocaust.

Q. You said recently that human activity has multiplied by between 20 and 40 times in your lifetime. What do you mean by that?

A. When I was born at the beginning of this century, the world had about 1.8 billion people and the proposed by the beginning of the century. ple and we're now approaching 6 billion

But beyond that the level of prosperity, the level of affluence has increased tremendous-

using more sophisticated chemicals.

Now if you combine the greater number of people and the increased demands per capita, it suggests that the total of human activity and therefore the total effect on the planet has multiplied by 20 to 40 times.

Q. What other new problems are you look-

A. One of the central problems we're facing now is the endemic unemployment that started at the time of the first oil crisis in the early 1970s and, we think, was greatly increased by antomation and the new technologies - not necessarily directly, but in the sense, for example, of jobs being lost in Europe and the United States and created in Japan through international competition.

Q. And that was also mentioned by Soviet leader Mikhail S. Gorbachev, whom you saw

A. Yes, this struck me as extraordinary because in principle in the Marxist countries there can be no unemployment. The unem-ployment is absorbed by diluting the work in the individual enterprises. Gorbachev said to me one of the problems the Club of Rome ought to be facing is how to solve endemic

memployment in a human way.

Later on, in Warsaw, [the Polish leader Wojciech] Jaruzelski explained that of course they have unemployment, but it's within the individual enterprises. In fact it may be an important ingredient of difficulties in Eastern economies because the people with insufficient work to do are milling about on the shop floors getting in everyone else's way and making productivity and efficiency increases well nigh impossible.

#### WORLD BRIEFS

#### EC Ministers Bar Talks With Arafat

IOANNINA, Greece (Reuters) - European Community foreign ministers, trying to forge a common response to the prospect of a self-proclaimed Palestinian nation, agreed Sanday that the time was not right for a meeting with Yasser Arafat, chairman of the Palestine Liberation

"We are certainly ready to face up to a new political situation which could be created," the Greek foreign minister, Karolos Papoulias, said at a news conference. But clear differences emerged over how enthusiastic

the community's response should be to an independent state. The EC has called for the PLO to be associated with Middle East peace talks, but many of its members refuse to deal with Mr. Arafat until the PLO renounces the use of violence against Israel and accepts its right to

#### Salvador Death Squad Said to Kill 4

APOPA, El Salvador (Renters) — Uniformed men calling themselves members of a Salvadorean Army unit ordered four people from their homes on Friday night and shot and killed them, relatives said Saturday. They said the men identified themselves as members of the First Brigade, whose commander was transferred earlier this year after passants were tortured, slain and mutilated at a notorious death-square.

The four victims' homes are in a working-class suburb of Apopa, it kilometers (11 miles) north of San Salvador. Their bodies, all shot in the head and with hands bound, were found under a tree near a soccer field

#### Vatican Announces Record Deficit

VATICAN CITY (Reuters) - The Varican had a record budget deficia last year of \$63.8 million, officials announced as they appealed to Roman Catholics throughout the world to increase their contributions.

The shortfall, announced Saturday, was the largest since the Vatican began release this year to about \$66 million, according to a special commission of cardinals appointed to oversee church finances. The 1986 deficit upon \$56.7

Rentering

Turns to

The budget covers the church's central administration, including its departments of social, religious and diplomatic affairs, as well as its daily newspaper and radio station.

Jackson Program Settles U.S. Claim

WASHINGTON (NYT) — The educational program formerly beaded
by the Reverend Jesse L. Jackson has agreed to pay \$550,000 to the
government to settle longstanding civil claims that the group had not
lived up to the terms of several grants and contracts awarded in the late 1970s and early 1980s.

The settlement by the program, Push for Excellence Inc., or Push-Excel, represents about half of the more than \$1.1 million the Justice Department was seeking on behalf of the Education Department and the

The dispute involved money from government grants that Push-Excel misspent or could not adequately account for, according to Diane Weinstein, assistant general counsel to the Education Department. The misspending included consultants' fees, home telephone costs and travel unrelated to the grant, she said.

#### 2 U.S. Advisers Killed, Kabul Asserts

ISLAMABAD, Pakistan (Reuters) — Afghanistan said on Sunday that its troops had killed two U.S. and two Pakistani advisers helping Afghan

The state Kabul Radio said the four military advisers were among 35 people killed by security forces on Saturday in the Gardez area of the eastern province of Paktia.

The radio, monitored in Islamabad, described those killed as "extreme ists," a term Kabul uses to describe Moslem guerrillas fighting the Soviet-backed government. The United States and Pakistan have denied allegations by the Afghan authorities that their advisers are aiding rebels.

#### For the Record

The crash of a coal train and a train carrying explosives in Sverdlovsk.

Siberia, on Oct. 4 injured 1,021 people and devastated the city, the Soviet ocws agency Tass reported Sunday. An explosion after the crash started a fire that burned for six hours and damaged 642 apartment buildings. Tass said. The agency had initially reported that four persons had been killed

and 280 injured.

More than 100 earth tremors shook São Miguel Island in the Azores on Sunday, damaging houses in four small towns, officials said. There were (AP) oo reports of injuries.

An overloaded ferry boat sank Friday in heavy seas in the central

Philippines, and at least 55 people drowned, the Coast Guard reported Saturday. The ferry, the Balangiga, was sailing from the Samar island port of Giporlos to Tacloban on Leyte island.

[AP]

Five Indian soldiers died Saturday when their vehicle hit a mine planted by Tamil rebels in eastern Sri Lanka, the police said Sunday. (Reuters)

Tegucigalpa, Honduras, the police said Saturday. An anonymous calle: said a leftist group was responsible. Mr. Mills, who had lived in Hondoras. 26 years and was originally from Woodward, Oklahoma, was shot in the head with a pistol by a man who was walking behind him on a street (AP)

#### TRAVEL UPDATE

#### French Transport Workers to Strike

PARIS (AFP) — Strikes on public transport in Paris and its suburbs and in provincial cities are expected throughout the week. Work stoppages are expected on the Métro system, the RER high-speed suburban rail network and the bus service in Paris, as well as on urban transit systems in provincial cities.

French rail unions say they will strike from 8 P.M. Monday to 6 A.M. Wednesday, and from Wednesday night to Saturday morning, though it is not certain how widely the strike calls will be followed. The strikes are

wennesday, and from Wednesday night to Saturday morning, though it is not certain how widely the strike calls will be followed. The strikes are part of pressure on the government to raise wages and benefits. Workers on the RER refused to operate some trains for two days last week.

A 48-how rail strike in Italy was averted Sunday when Transport Minister Giorgio Santuz used a wartime measure to order 5,000 engineers to work. He said the order would provide for the operation of 1,200 of the 6,000 trains scheduled to run during the strike period. Most are long-distance national and international services.

British Airways has introduced mainture TV sets in coach class on a Boeing 747 flying its London-New York service. The system will be extended if the four-month trial proves successful.

(AP)

Switzerland will not raise weight limits for trucks crossing the country. Transport Minister Adolf Ogi said in Athens. Switzerland has come under criticism from the EC for setting weight limits for trucks at 28 tons, when other transit countries — West Germany, Italy, Austria and Yugoslavia — allow trucks to carry 40 tons of freight.

The airport in the Nigeria town of Port Harcourt will be closed until further notice because of damage caused when a Nigeria Airways Boeing 132 people, lost both engines and hit the landing strip's lighting system when it skidded on landing.

The Soviet Union has told India it is ready to build a subway system in Scindia, said Saturday.

Air Seychelles plans to open a route to Paris and Athens at the and of the and of the said of the and of the said of the and of the said of the s

Scindia, said Saturday.

Air Seychelles plans to open a route to Paris and Athens at the end of the year, the official press agency SAP said Sunday. The agency said the line had also bought a Boeing 767 and might buy an Airbus A-340.(AFP)

#### This Week's Holidays

Banking and government offices will be closed or services curtailed in the following countries and their dependencies this week because of national and religious holidays:

MONDAY: Haiti, Jamaica, Malawi TUESDAY: India

WEDNESDAY: Hong Kong, Macso. THURSDAY: Guatemala, Kenya. FRIDAY: Hondures, India, Somalia

SATURDAY: Bahrain, Iraq, Lebanon, Somalia, United Arab Emirates, Vani-

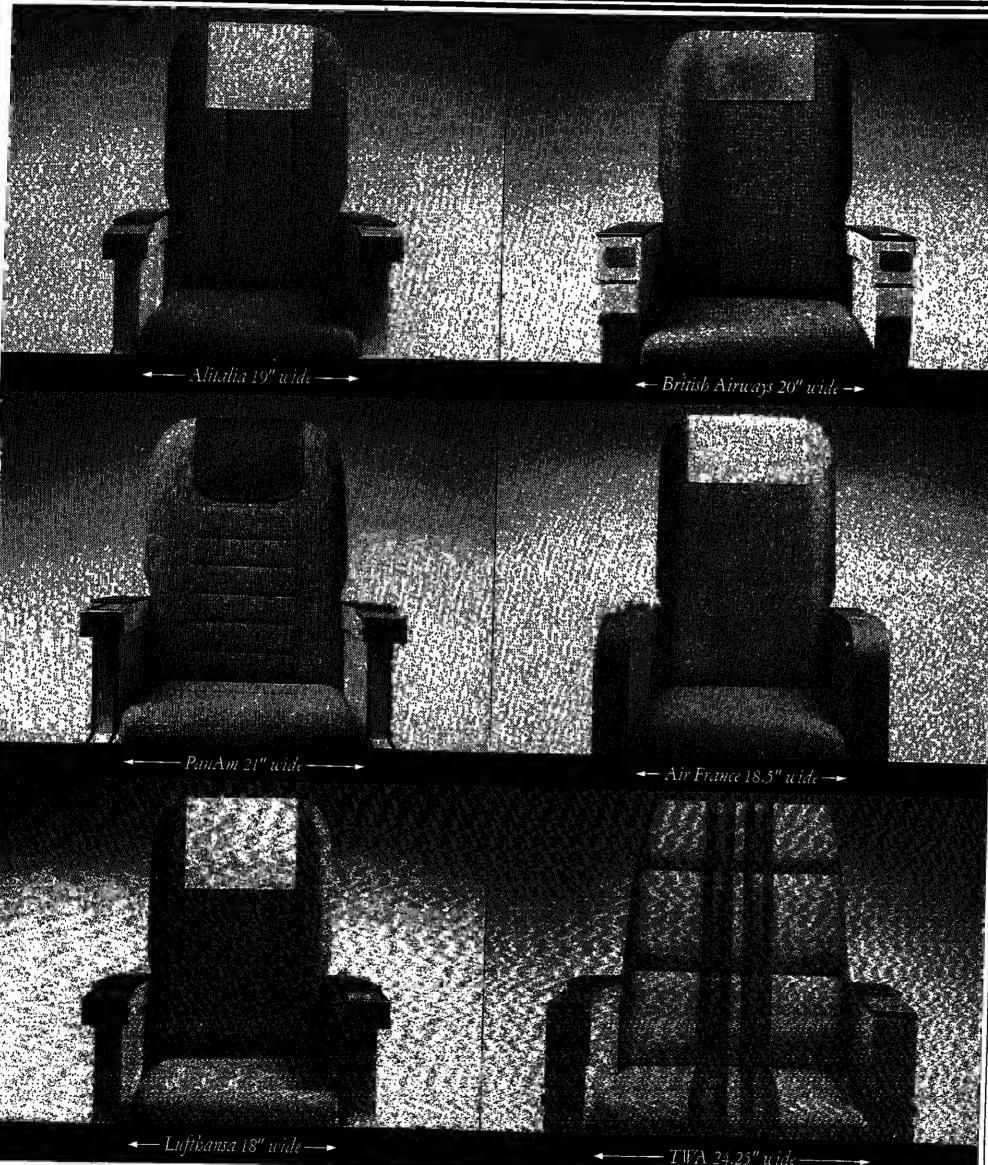
SUNDAY: Kuwait, Malaysia

Source: Margan Guaranty Trust Co., Reaters.

#### George Bush may become the first president in U.S. history to win as a write-in candidate.

Il you ore an overseas vater and have correctly applied for, but not yet received your State Absentee Ballot, you have another option. Republicons Abroad is making special "Write-In" Balkots -available to qualified voters who fear their absentee balkot may not make it to the States by the election, November 8. These "Write-In" Ballots are available through the U.S. Embassy, Consulate or Republicans Abroad Office in your "home" country. Cast your vote lor George Bush today and help make history

\* \* KEEP AMERICA STRONG, VOTE REPUBLICAN IN '88. \* \*



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the extra space on offer. It's just one of the measures that keep TWA ahead.

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### ORLD BRIEFS

ers Bar Talks With Aral man (Routers) - Furopean Community for reser (Routers) — European Community for sign a common response to the proper of man fation, agreed Sunday that the time was Vanice Arabat, chairman of the Palestine la

is ready in face up to a new political single the freek togethe munister. Katoloo papeller that cheek differences contract over how one independent state. that the PLO to be accounted with Middle in which the PLO to be accounted with Middle in the manufactured with Middle in the Mid the the reason or assessment and and with Mr. Andrews sinds or against type and his measure against Ividel and account

Death Squad Said to Kil

min (Remers) — Uniformed men calling to succeed Army unit ordered four people in ight and shot and billed them, relatives said and identified themselves as members of a man identified themselves as members of a minimizer has transferred earlier this year it is and musicisted at a notonious des

a) north of San Salvador. Their bodies all as Bound, were found under a tree near a sec

anounces Record Defin (Renters) - The Valle in had a record hole them, estimate announced as they appealed to the market to mercase their contribution

seamed Saturday, was the largest since for meanifigures in the carly 1950. The deficition made appointed to mersee sharp limited in a made appoint See units at according to a made at the second of the sec es the America contra administration me al sendicers and disjourners again as again

rogram Settles U.S. Cla

the program, Push for Excellence here but half of the more than \$1.1 million here there is behalf of the Education Department

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Radio sand the few of their advisors were been force of said to the Carden make on kolome to an army those those killed by make the short of the first or pure collection from the The Victor by the all apper have tree doubles and it there are are adver-

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AVEL UPDATE

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wh may become the his issue in U.S. history a a write in candidate.



Running Mates Say It With Their Hands

Senator Dan Quayle, the Republican vice presidential candidate, made a point with his fist while speaking at the University of Wisconsin at Ean Claire. In New York, Senator Lloyd Bentsen admitted the Democrats were trailing, then minicked the gesture made by the victorious Harry Truman when he held up a newspaper in 1948 with a headline that read "Dewey Defeats Truman."

### Bush's Camp, Sensing Opportunity, is longistational grants and contracts awarded in the group of the several grants and contracts awarded in the group of the group of the grants and contracts awarded in the group of the grants and contracts awarded in the group of the grants and contracts awarded in the group of the grants and contracts awarded in the group of the grants and contracts awarded in the group of the grants and contracts awarded in the grants and contracts awarded in the grants and contracts awarded in the grants and contracts are grants as a grant and contracts and contracts are grants and contracts and contracts are grants and contracts and contracts are grants and contracts are grants and contracts are grants a Turns to Helping Other Republicans

By E.J. Dionne Jr.

New York Times Service
WASHINGTON — Vice President George Bush's campaign, sensing new opportunities after last week's presidential debate, is exploring ways to help flagging Republican candidates for the U.S.

**AMERICAN** 

**TOPICS** 

California to Provide

Over the next three months

California will refill shrunken

rivers and swamps in an effort

to minimize the effect of a

drought this year on migrating ducks and spawning salmon,

The Los Angeles Times reports. The water will come from feder-

al reservoirs and cost \$350,000. Of that auxount, Ducks Unlim-

ited, a hunters' organization

that helps conserve wetlands,

Without the water, officials foresaw the biggest fall run of

Chinook salmon since the mid-

1940s fighting their way up-

stream to spawn only to find

dry gravel beds. State, federal

and private water groups have waived about \$800,000 in fees

normally charged for pumping

We are just providing a helping hand to Mother Na-

ture," said Peter F. Bontadelli,

the state fish and game director.

He said the extra water for fish and ducks would not short-

change farmers, municipalities

or others who contract to buy

state and federal water. The

state found water not already

Lower Manhottan has a new

nightclub aimed at the Wall Street crowd. It is called B<sup>2</sup>,

Harlow, one of six investors in B', said the neighborhood need-

ed a chib for business people who leave work at 5:30 P.M.

and do not want to wait until 11

P.M., when other downtown clubs get rolling. The club is

named after the song "it's Hip

Record numbers of Illinois citizens have been getting mar-ried across the state line in Wis-

consin. A new Illinois law, the

only one of its kind in the Unit-

ed States, requires marriage-li-cense applicants to take an AIDS test. A similar statute in

Louisiana was repealed earlier

this year in the face of a stam-

pede of engaged couples across the state's borders. In Illinois,

however, advocates of testing have promised to fight any move toward repeal. In Keno-

sha, Wisconsin, 41 marriage li-

WORLDWIDE ENTERTAINMENT

spoken for, he said.

**Short Takes** 

and moving water.

will contribute \$75,000.

Water for Wildlife

lengthening, the campaign is coming under pressure from other Republican candidates — especially those running for seats in the Senate, where the Democrats seem to enjoy leads in key races — to lend his growing popularity to their

candidates Mr. Bush may be able to help are Susan Engeletter, a leg-islator who trails Herb Kohl, a Democratic businessman, in Wiscenses were issued to Illinois couples in the first seven months of 1987. In the compaconsia; Mayor George Voinovich of Cleveland, who trails Senator rable period this year, 888 were Howard M. Metzenbaum in Ohio; and Pete Dawkins, a business The acrosym "OOOOPS," for the myriad disasters that who is trailing Schator Frank R. Lantenberg in New Jersey.

could happen if terrorists got hold of nuclear or chemical weapons, has been coined by Gregory Fossedal, a research fellow at the Hoover Institution at Stanford University. OOOOPS stands for Ominous Outcomes Ordinanced or Otherwise: Possible Scenarios. Shorter Takes: The Europe-

an Community, as it moves to 1992, is opening a third U.S. office, in San Francisco. The other two are in Washington and New York. The EC plans eventually to open a Chicago office as well. • The White House staff numbers 3,366 people, according to a study by the Brookings Institution, not the 622 officially on the psyroll. The higher number includes military personnel, Secret Service agents and employees on loan from other agencies.

Senate Backs Bid

To Let U.S. Join

Genocide Treaty

treaty outlawing genocide.

The Senate had given its consti-tutionally required advice and con-sent for U.S. compliance with the

treaty two years ago, but a political battle over whether to mandate capital punishment for genocide had blocked approval of the legisla-

The measure will change the United States criminal code to include penalties for genocide, which it defines as acting with the intent to destroy, in whole or in part, a national, ethnic, racial or religious

New York Times Service

Notes About People

Tom Clancy has settled a quarrel with his first publisher, the Naval Institute Press, over who owns the character of Jack Ryan, the hero of his 1984 novel "The Hunt for Red October." After it became a best-seller, Mr. Clancy signed a \$3 million, three-book contract with G. P. Putnam's Sons. The three books all featured Jack Ryan. The Naval Institute Press, which held the copyright to "Red October," was seeking a percentage of the earnings of the sequels. Under a confidential settlement arranged by the American Arbitration Board in New York, the press will receive an unspec-ified cash payment, and Mr. Clancy will continue to use Jack

The actress Sasan Saranden, who plays the part of a baseball groupie in the film "Bull Dur-ham," is a fan herself. "Never root for a team whose uniforms have clastic stretch waistbands," she says. "They are unsightly and without grace." Even before the Oakland Athletics won the American League pennant, she was predict "Keep an eye on the Oakland A's. They play on grass, under the sky and have terrific belt loops."

impagne and show F.F.510 10 p.m. and midnight,

champagne and show F.F.350 Service included

Arthur Highee

### THE HUSTINGS

Dukakis at Hub of Clerics' Dispute WASHINGTON (WP) — A group of 16 Orthodox Christian priests, come of them Greek, has demanded that the Greek archbishop, lakovos, "disinvite" the Democratic presidential candidate, Governor Michael S.

themes, hoping to pack up some of the vice president's support. Richard N. Bond, the political director Dukakis, from the primate's nameday celebration Saturday in Washington in order to "preserve the integrity" of Orthodox Christianity.

"We who cherish our Orthodox faith know well that Mr. Dukakis has for the Bush campaign, said Bush strategists would decide in the coming week how it can help Rebeen excommunicated from the holy mysteries of the Orthodox Church, owing to his non-Christian marriage and his willful refusal to baptize his publican candidates for the Senate two danghters," the priests said in a letter to George Liapis, chairman of the nameday celebration. The "holy mysteries" are the sacraments of the

Among the Republican Senate The priests, acting under the umbrella of an organization called Orthodox Christians for Life, charged that Mr. Dukakis has "abandoned the faith of his baptism" by marrying a non-Christian and implied that Archbishop Iakovos, a longtime friend of the Dukakis samily, has improperly injected himself into secular politics by the invitation. Archbishop Iakovos and other leaders of the Greek church have repeatedly denied that Mr. Dukakis has been excommunicated,

#### On This They Agree: No Army Draft

WASHINGTON (NYT) — Among the few policies on which Vice President George Bush and Mr. Dukakis agree is that the United States Mr. Bond noted that some Republican Senate candidates, such as Mr. Voinovich, have strong poshould continue to rely on volunteers to fill the ranks of the armed forces. litical bases of their own and that cooperation between the Bush Drill sergeants maintain that young men and women with high school diplomas are easier to train, more disciplined and more likely to complete their enlistments. The Pentagon reported recently that 97 percent in the calisted ranks of 1.8 million were high school graduates, compared with campaign and the Senate cam-paigns could benefit both sides.

But the Bush campaign does not 82 percent of the civilian labor force. expect to be able to pull along the Moreover, in recent years the rate of Moreover, in recent years the rate of re-enlistment has been increasing weakest. Republican challengers, among the better-educated and more highly skilled recruits while resuch as Robert McMillan, who is enlistment has been denied to those who did not measure up. The such as Robert McMillan, who is enlistment has been denied to those who did not measure up. The running far behind Senator Daniel combined effect has been to enlarge the pool of skilled and experienced Patrick Moynihan in New York, or leaders and technicians.

#### Maurice Dawkins, a Republican who trails far behind former Governor Charles S. Robb in Virginia. Reagan Hails Astronauts (and Bush)

WASHINGTON (WP) -- President Ronald Reagan combined homage Saturday to the crew of the space shuttle Discovery with a plug for Mr. Bush in a White House ceremony attended by NASA officials, the Discovery astronauts and their wives.

"The vice president was right last night — you are America's heroes,"
Mr. Reagan said. "You are his heroes and mine. You're each veterans of the space program. And what you have done for the program and for your country will long be remembered."

#### The U.S. Gun Lobby Has Its Favorite

WASHINGTON — The Senate has given final legislative approval to a change in U.S. laws that will permit the United States to join 97 WASHINGTON (AP) — The National Rifle Association is saturating more than a dozen states with radio commercials criticizing Mr. Dukaother countries in an international

kis's record on crime and guns as "up-North nonsense" that should not spread beyond his native Massachusetts.

Mr. Dukakis said the advertisements are an "outrageous distortion" of his positions. His campaign has asked the gun lobby to pull them and is counterattacking with its own radio and television advertisements.

Damiel A. Taylor, general counsel for the Dukakis campaign, told the The treaty was first proposed 40 years ago by President Harry S. Truman in reaction to the Holo-

caust, the systematic killing of millions of Jews, among others, by the Nazis during World War II. The measure was approved Priday by voice vote and will be sent to President Romald Reagan, a supporter of the treaty, for his signature.

The Scnate had given its consti-

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### Chicago's Unsettling Violence

#### Aiding Fellow Passengers, Witnesses Become Victims

By William E. Schmidt New York Times Service

CHICAGO - Four times in the past month, riders on the transit system here have witnessed singuarly brutal acts of violence: two murders, a rape and a slashing, each of them carried out in full view of horrified onlookers.

The incidents have provoked an outcry for more police officers and better security on city buses and trains. But they have also raised a more difficult question, one that sooner or later crosses the minds of many people who move daily through the faccless crowds of this or any large city: Just how far should a citizen go when confront-ed with a criminal situation?

In two of the incidents here, pas-sengers on trains of the Chicago Transit Authority who sought to intervene became victims themselves, causing the police to wonder aloud if the men had acted wisely. One man died after he was shot twice in the chest when he chal-lenged a robber wielding a gun. Two weeks later, another man, who shouted at a pickpocket, was chased through the crowded train by the thief, who then nearly sliced off his right car with a rezor.

But the sharpest public reaction followed a third incident, in which hundreds of people passing along a crowded train platform at rush hour watched and langhed but did othing while a man and a woman had sexual relations in a stairwell. No one alerted the police until the woman's cries made it clear they had just witnessed a rape.

A suspect was apprehended, thanks to witnesses who pointed him out to the police. Still, editorial writers used the incident to rail against public indifference. Mayor Engene Sawyer said, "It's up to the general public to get more involved in what they see."

A women's group picketed the station where the rape occurred. Their message, said a protester, El-

len Holmes, was that "it is not O.K. to just walk by." The sometimes contradictory reactions of the police and the public to these incidents — as well as the murder of a youth who was stabbed to death on a city bus by two teenage gang members - have left

many people confused and angry. People are airaid, they are anery, but no one can tell them how they should respond," said Richard Taub, a sociologist at the Universi-ty of Chicago, "And the police are no help on this."

R. Lance Shotland, a professor of psychology at Pennsylvania State University, has studied the question of citizen intervention. "No matter what people do," he noted, "they are likely to be told

later they were wrong. People are confused." erated in Chicago, and the Guardian Augels, the group of unarmed teen-agers that pairols streets and

subways, has offered its help. But most police departments have no clear policy on what a citizen should do. Saying they are concerned about hability ques-

tions, and alarmed over the specter

discourage citizens from becoming physically involved with criminals. "It's always a tough question," said Edward Wodnicki, chief of detectives for the Chicago police. We don't want to put people in a posture where they can be hurt. We don't want to encourage vigilantes. My advice is, he alert, remember

'People are afraid, they are angry, but no one can tell them how they should respond. Richard Taub, 2 sociologist

what a criminal looks like, arouse the attention of people around you, call the police." Police ambivalence about citizen

intervention was reflected in the case of Dennis Eagan, 22, the man who was hailed by newspapers as a hero after he was injured when he oiled a pickpocket on a train.

LeRoy Martin, superintendent of the Chicago police, agreed that Mr. Eagan deserved credit, But he also woodered aloud whether Mr. Eagan should have confronted the thief. "If they had gotten a carotid artery instead of an ear, I'd have had another death on the CT," or Chicago Transit, said Mr. Martin. Sherwood Williams, a deputy

police chief, was more blunt in his

of vigilantes, the Chicago police reaction to the incident involving discourage citizens from becoming Bruce W. Plattenberger, a suburban lawyer who was shot to death after he challenged a robber on a train by telling him he thought his pistol was a fake, Mr. Williams said the man "didn't use commoo many in the city.

Io a letter to the Chicago Sun-Times, Chuck Cuttone wondered what the police expected of citi-zens. Are they, he asked, supposed to throw their wallets and valuables to the punks" who terrorize the city's transit trains?

One extreme is characterized by the case of Bernhard H. Goetz, whose shooting of four young men who accosted him on the New York subway in December 1984 became a metaphor for public frustration and anger, and the reckless determination of some who would take the law into their own hands. The other extreme is typifted by

the 1964 murder in New York of Kitty Genovese, whose death was seen as a shameful parable of public apathy. Her cries for help went unheeded by more than 35 neighbors, some of whom watched her die but did not call the police.

Mr. Shotland, the psychology professor, said that the police and public agencies must agree on a model public policy. Most impor-tantly, he said, they must empha-size the need to call the police im-

pressure on people to get in-volved," he said, "and then condemn them later for what they did

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### Soviet Psychiatrists Repentant

By Michael R. Gordon New York Times Service WASHINGTON — In an effort to improve the international standing of its long-criticized psychiatric profession, the Soviet Union has said that it will reapply for mem-bership in the World Psychiatric Association, according to the presi-

dent of the organization.
The Soviet psychiatric society withdrew from the organization in 1983, when it was apparently on the verge of being expelled for the official practice of confining political prisoners in mental hospitals. Since then, the Soviet Union has reported improving its psychiatric standards as part of a broader ef-

fort by Mikhail S. Gorbachev to make Soviet society less repressive. Soviet dissidents and some experts assert that additional improvement is needed, and an intense debate has erupted among experts over whether the Soviet Union should be readmitted before further corrective measures have

By David Remnick

Gorbachev made his historie

speech a year ago on the crimes of

the Stalin era, many here said they

with his criticism, especially of the

**NEWS ANALYSIS** 

brutal collectivization of Soviet

farms in the late 1920s and early

But Mr. Gorbachev proved last

week that the rethinking of Soviet history, despite its limits, could

have far-reaching consequences for

the lives of ordinary people. With-

out first opening the way for a historical examination of collectiv-

ization, he could never have made

the radical pitch for widespread new forms of farming that he did

last week at a dramatic meeting

with agricultural leaders at the

Western and some Soviet schol-

ars estimate that millions of Soviet

citizens died during mass deporta-

tions and famine during Stalin's

collectivization drive. In his speech last Nov. 7, Mr. Gorbachev spoke

vaguely of a policy that had had periods of "excesses" but had been

a transformation of great impor-

But in the last several months the

Soviet leader has steadily increased

the sharpness of his view of collec-

More importantly, he has per-

mitted numerous journals and

newspapers to publish evidence of

felt he had not gone far enoug

Washington Past Service MOSCOW — When Mikhail S.

The issue was recently discussed as president of the association, by experts who gathered in Washington for an association symposium on a wide range of psychiatric

Peter B. Reddaway, director of the Kennan Institute and an anthority on Soviet psychiatric practices, said Saturday that the Soviets had been systematically releasing from mental hospitals political prisoners who had been the focus of concern in the West.

actions were necessary before Soviet psychiatrists could be readmitted, including an official condemnation of past abuses and the political rehabilitation of dissidents who had been released from

Mr. Reddaway emphasized that the Gorbachev leadership would have to replace senior mental health officials who were in power when the abuses were rampant.

But Costas Stefanis, a Greek grounds, a Reagan admir

Gorbachev Aim: Restructure History

mass repressions and deaths during the period. In September, the parry newspaper Prayda denounced col-lectivization as a cruel policy that had led to a lesser of

had led to a legacy of ruinous stag-

nation in Soviet agriculture.

Mr. Gorbachev needed to clarify
Soviet history in order to turn Sovi-

Leaving the details to historians, he moved to questions of policy.

For months, in broadcast speeches

and meetings, he has been calling for 50-year leases for family farm-

ers and a gradual reduction in

scope of the enormous sovkhozes

(state farms) and kolkhozes (collec-

tive farms). At the meeting with

agricultural leaders last week, he

widened that appeal, asking that "the entire agrarian sector follow

His idealized picture of Soviet agriculture, one dominated by

smaller groups of ambitious farm-

ers who are out to maximize pro-

duction as well as their own in-

come, is at complete odds with five decades of Soviet ideology. He is

encouraging nothing less than the resurrection of a class of farmers

who would have been denounced

and executed during Stalin's collec-

to transform Soviet agriculture

overnight. He faces strong opposi-

tion from the invariably conserva-

tive and bureaucratic leaders of re-

gional state farms, and he must also

persuade farmers that they have

nothing to fear, economically or

juridically, from the new lease ar-

Mr. Gorbachev will not be able

Criticism of Stalin Leads to Radical Farming Changes

et history around.

In an interview, he said the group must be careful not to interfere in

the Soviet Union's internal affairs. The Soviet psychiatric society, the All-Union Society of Psychiatrists and Neuropathologists, expressed its "willingness to apply" for readmission in a cable sent to the world association earlier this month, he said.

In the time since Mr. Gorbachev assumed power in 1985, the Soviet Union has announced some changes, such as the transfer of 18 so-called special psychiatric hospitals from police control to the control of the Health Ministry and the adoption of a new set of rights for mental patients.

Though many prisoners have been released, the United States is still concerned about 70 cases in which it believes that patients may have been incarcerated on political professor of psychiatry who serves official said recently.

Soviet officials said in interviews

And nowhere has that power been

huge food problem.

the new leasing plans.



KREMLIN-LAND — Mickey Mouse and a Soviet counterpart, Misha the Bear, entertaining children in Red Square on Sunday. They were promoting the release of four Walt Disney films.

## Mr. Gorbachev, who has become head of government as well as leader of the Communist Party, has extraordinary power not only to criticize the past but also to advertises. The administration agreed to the bases review and doubts about "It will help the Philippines cope

more apparent than in his attempts to turn around the Soviet Union's made available in cash to hasten its spending, a U.S. official said.

The breakthrough in the often- port. contentious negotiations got a strong push in repeated unannounced meetings in Washington last week between Mr. Manglapus and an assistant secretary of state,

The negotiations are technically a review of the U.S.-Philippine Military Bases Agreement, which ex-

view is necessary before a more complex and difficult negotiation over the ultimate future of the bases can begin.

Large stockpiles of fuel and am-

munition are maintained at the Clark base, from which the United States can stage airlift operations 

New Stability Is Seen and train combat pilots in the 13th Air Wing based there.

Subic Bay Naval Base is the main rest-and-repair stop for the Teodoro Benigno, said the agree- granted the Philippines its independent. S. fleet operating from the mid-ment "will certainly create an at-

"It will help the Philippines cope with problems of economic recov-ery and help businessmen plan for

the future," he said. It has become politically difficult for public figures to speak out in favor of the bases, which have been described as an infringement on

national sovereignty.

Meanwhile, in an act of vandalism that the police said appeared to he related to the negotiations, peo-ple suspected of being Communist rebels damaged a statue of General Douglas MacArthur in an explosion on Saturday in Palo, on Leyte Island southeast of Manila. tiations between Washington and

The 10-foot-high (3-meter-high) brouze statue is the centerpiece of a group of figures shown wading ashore in Leyte on Oct. 20, 1944, to liberate the U.S. colony that the general had been forced to flee as the Japanese invaded the archipelago early in World War II.

The Leyte landing, fulfilling the general's pledge — "I shall return" - has remained a symbol of the warm relations between the two nations since the United States With Leaders in North meeting, but will talk again in N

Seoul to Ask UN's Aid

For a Reconciliation

By Susan Chira

New York Times Service

SEOUL - President Roh Tae

Woo of South Korea says he will

about a reconciliation with North

While Mr. Roh acknowledged

What we would like the United

Nations to do, as a neutral third

party, is use its good offices as a mediator," he said Friday after-noon. "Sometimes direct parties

cannot agree because of mistrust

and pride. Just as in marriage coun-

seling, we need a third party to

In July, Mr. Roh announced a shift in policy toward North Korea

nations and end the North's diplo-

arrange a satisfactory solution.

anti-American sentiment, he said

and ill feelings would dissipate.

more disappointed."

tween the two neighbors.

Shull.

While the South proposes building good will through family visits. ask the United Nations and its trade, and citizens' exchanges, the North wants a pledge of nonaggreesion and the eventual withdrawal

Korea that would ease tensions beof U.S. troops. Mr. Roh said he would not specifically appeal for direct negotia-tions to be undertaken by UN offi-In an interview in advance of the first address to the United Nations General Assembly by a South Ko- cials, such as the talks that produced cease-fires in Afghamrean leader, set for Tuesday, Mr. stan and in the Gulf War.

Roh seemed eager to take advan-But he suggested that he would tage of the good will engendered by the Olympic Games in Scoul to win backing for his overtures to North be willing to accept any belp in reaching out to North Korea either from the United Nations of from member countries who has Korea, which have so far not made much headway with the governrelations with North Korea or have security interests on the Koretm

Neither South nor North Korea is a member of the United Nations, "The United Nations has carned the respect of the international community by assisting in the solu-tion of international disputes," he Mr. Roh is to meet with President Ronald Reagan on Thursday

"Based on this," he added, "I think the United Nations can find During the Olympics, many think the United Namous South Koreans boold American some role by itself in the Korean question. Other countries individually can also play some role."

> ■ U.S. Gestures to North Elaine Sciolino of The New York

the two nations would remain close Times reported from Washington: The United States is expected to "Two people quarrel when they are very close," he said. "Brothers take some modest but symbolically important steps toward opening diplomatic and trade contacts with fight. You do not fight with those who are further apart. The Korean North Korea as proposed by Seoul, public has trusted and depended on American friendship. If their ex-State Department officials said pectations are not met, they are

Saturday.

Although the officials emphasized that no final decision has been made, they indicated that Mr. Mr. Roh has made a priority of improving relations with the Reagan was likely to give Mr. Roh some assurances of the administra-While the two Koreas should tion's willingness to make a limited continue to make efforts to resolve overture to the Pyongyang govern-ment when the two leaders meet their own affairs, he said, the Unit-ed Nations could also play an im-portant role in bringing them closer briefly Thursday.

It is unclear when the administration will announce its decision. Among the steps under active consideration are the resumption of limited diplomatic contact between U.S. and North Korean officials, relaxation of the visa restriction on North Korean nationals and encouragement of unofficial exchanges.

The administration is also examining what one official called "a intended to promote trade and permore lenient approach" to the sonal exchanges between the two Trading With the Enemy Act, which prohibits trade with "enemy" countries and has been apply After a flurry of counterpropos-als by the North, the two sides

The administration

The administration may extend embarked in August on their first certain exemptions under the act to North Korea, such as the delivery So far, they have failed to agree 'of "humanitarian items" such as on terms for a joint parliamentary food and medicine.

#### that some people were hesitant to change their ways because they remembered the past only too well. "There is a fear of getting wealthy and then getting in trouble," one official said.

pines, the administration agreed to speed delivery of some U.S. aid that was previously approved but not sent. Some of the aid will be

With television as his primary propaganda tool, Mr. Gorbachev used a September trip to the Siberian city of Krasnoyarsk to dramatize the depths of people's concerns. And last week, during televised excerpts from his meeting with farm leaders, he orchestrated a lengthy discussion on the virtues of

As always, Mr. Gorbachev interpires in 1991. rupted speeches, browbeating speakers when they contradicted Successful completion of the re-

the new line and, more often, encouraging those who supported it. Instead of calling for the climination of collective and state farms, he said that widespread leasing

would "open up their potential." "A person's desire to own land and resources, to create his own family farm, does not contradict socialism, comrades," he said. "Such an owner will work on land that is public property."

difficulty of reaching agreement on the bases review and doubts about renewal of the broader pact, the Pentagon for the first time seriously contemplated arrangements under which U.S. forces would go elsewhere in the Pacific for sup-

A speech in September by the Soviet leader, Mikhail S. Gorbachev, offering to remove Soviet forces from bases in Vietnam if U.S. forces leave the Philippines was a complicating factor in Philippine politics. But it does not appear to have seriously affected the nego-

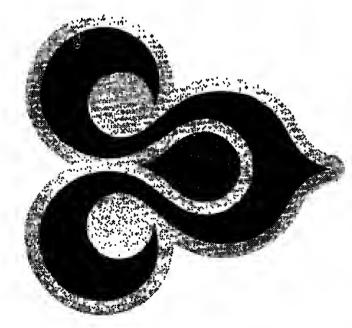
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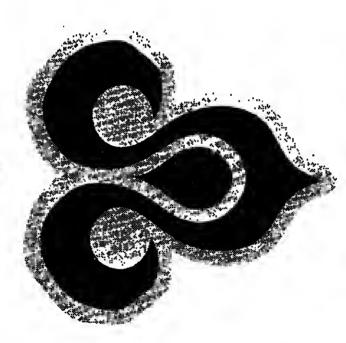
The basic outline of the U.S. compensation package had been clear since it was placed on the negotiating table in Manila in midsummer, and the Reagan administration rebuiled repeated efforts by the Philippines to increase the com-

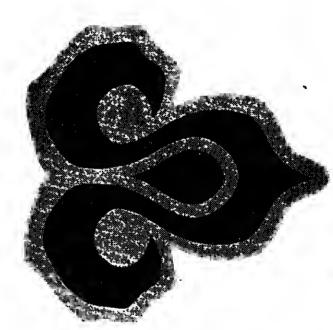
Seth Mydans of The New York Times reported from Manila; President Aquino's spokesman,

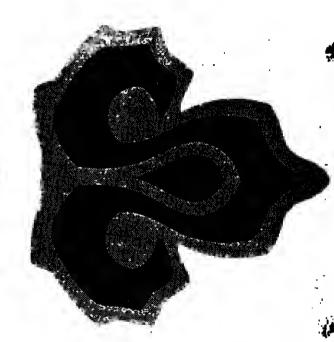
talks in nearly three years.

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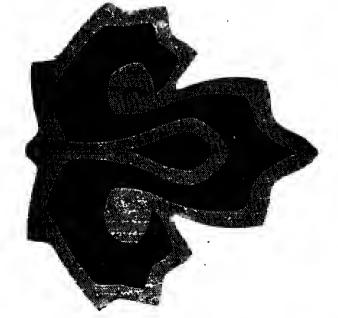


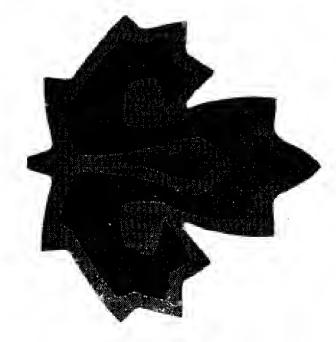


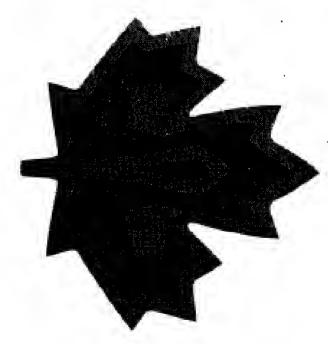


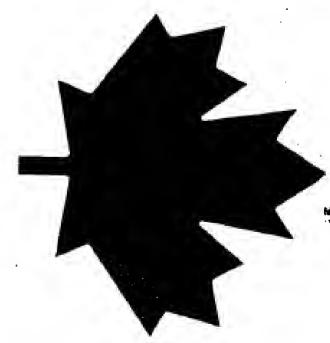


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said, his voice rising, but what he wanted was "true peace, not peace at the standard by the said and the suggested by the willing to such as the land that most of the world knows at the Israeli-occumied West Bank. contract to Morth

contract to M amer Morth Korea he United Nations,

mest with Presiin thursday

Cityropies, many think the United National It was just another evening on the campaign trail for Mr. Shamir, the campaign trail for Mr. Shamir, 73, a diminutive politician who is easily an also also also shame a mandate to keep the

ob acknowledged setiment, he saw emid remain class ends dampais. marri when they a fight with these part. The Korean land depended on ship. If their exof met, they are

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Chi hattyre a louismans & to the table and the former appear partnership was Mr. Shamin's.

His main achievement as prim

the her thing ial out there for "Ass' and mainter, for no to it.

# Shamir Fights On for His Vision of Israel Who was, in the words of critics mir took a variety of unsuccessful who was, in the words of critics mir took a variety of unsuccessful who was, in the words of critics and Education of Israel Shamir Fights On for His Vision of Israel Shamir Fights On for His Vision of Israel Shamir Fights On for His Vision of Israel Who was, in the words of critics and Education of Israel Shamir Fights On for His Vision of Israel Shamir Fisrael Shamir Fights On for His Vision of Israel Shamir Fights O

his name and straining the life glimpse as if he were a movie star, he and his small entourage 

Mr Keth Said he would live that he course.

All was a "total live" that he course.

It was a "total live" that he course. in the United & and his Liked political plot as the fectual with North keep garbodiment of the Israeli nation:

Security interests on by the do not represent any one interest group — the workers, the farmers, the industrialists — because are the entire nation, all of

"The Limited Nations for respect of the limited was we are the entire nation, all of use minimum by assisting them of unternational days are the center camp whose mission is to be concerned about the whole

direction Other comme. 73, a diminutive pointerant was utilly can also play song seeking a mandate to keep the serime ministership, which he has prime ministership, which he has held for three of the last five years.

But his appearance last week in held for times to held for tim

Although the official caretaker until younger, stronger an attempt to run Stern alumni as and more politically adept men candidates in the 1949 Knesset.

Reason was likely to make the could sort out the succession. Isra-Reagan was likely to get el's inflation rate was in triple fig-Rosens thought some assurances of their ures, its army in the quagmire of Lebanon, its relations with Wash-

he and, the Unit overlare to the Pyragon ington troubled.

The play are resembled to the purpose ingreent troubled.

Five years later, annual inflation of the purpose ingreent most of is running at 15 percent; most of It is an least when the the troops are home from Lebanon. hation will announcine and relations with the United Animag the steps me States are on a firm if sometimes pred offices as a committee on are there contentions footing. Most of this after already of impled deplement on happened during the last four years a direct parties turned is and Northly when a strife-ridden coalition govstore of minimum with transfer of they erument bound together Mr. Sha-Amaretage coats from the North Keess mir and his main political oppothese rates to and encouragement of pent, Shimon Peres, the Labor Party leader. Mr. Peres can take The administrationis much of the credit for the accomand least here a war what one officer phishments, but the idea for the

With the His main achievement as prime minister during the second half of the half problem take public coalition's life is a negative one: The Arministration of Middle East peace and killed a regional diplomatic initiative by the U.S. secretary of state, George the U.S. secretary of state, George t field to the commentation its P. Shultz, without ever actually say-

He can also take responsibility for the transformation of the Likud. Despite a lackluster 1984 campaign, he managed to dodge the huge electoral defeat that polls had predicted and won enough seats in the Knesset, or parliament, to force Labor into the unity government. Israeli elections are about parties and policies, but they are also about people, and this particular election is very much about Yitzhak Shamir and Shimon Peres.

Mr. Peres is the ultimate insider who has spent his adulthood in a variety of key government posts. He is articulate, passionate and impatient. Mr. Shamir is the outsider, restrained, reticent, at times monosyllabic man who emerged from the shadows of a life spent first in the smallest and most extreme of the pre-independence Jewish underground movements, later in the Mossad intelligence

Yet the polls suggest it is Mr. Shamir, not Mr. Peres, who stands the better chance of being Israel's next prime minister in the Nov. 1

"Shamir is as uncharismatic and funny looking as a human being can be, but people say he's downto-earth, honest and reliable," said Sarah Honig, a veteran Israeli political reporter

Others view Mr. Shamir's silence as complacency, his emphasis on

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they contend needs an impassioned

Mr. Shamir was born Yitzhak Yezernitsky in eastern Poland in 1915. At the age of 20, he came to British-mandated Palestine, briefly attended Hebrew University in Jerusalem, then joined the Irgun, the smaller of the two Jewish underground movements. He chose the

ation of movie theater owners.

Then, in 1955, Israel's establishment opened its doors. The head of the Mossad, Isser Harel, recruited Mr. Shamir and other former Irgun and Stern Gang members into the spy agency where their operational experience was put to use. In 10 years with the Mossad, Mr. Shamir left few fingerprints.

We are a national movement. We are not left and not right. We are the center camp whose mission is to be concerned about the whole people of Israel.' Yitzhak Shamir

Hebrew word shamir, meaning thorn, as his surname.

The Irgun split into two factions in 1940. The larger one chose to suspend terrorist attacks against Britain and offered its full support in the fight against Hitler. The smaller one, led by Avraham Stern, saw the British Empire as its main enemy and vowed to keep fighting even if it meant indirectly helping the Nazis. Mr. Shamir joined with Stern and it was Mr. Shamir who painstakingly put the Stern Gang back together as head of operations after Stern was killed by the British police in 1942.

The first years after Israel's independence in 1948 were hard ones for Mr. Shamir, who like other Stern members was an outcast from the new state led by David Ben-Gurion and veterans of the

He left the Mossad in 1965 and suffered through another series of second-rate jobs until Mr. Begin, Shamin's old rival from the Irgmo, rescued him in 1970. He gave Mr. Shamir a job directing the im tion department of Mr. Begin's Herut Party. By all accounts, Mr. Shamir repaid him with doggedly faithful service as first a party bu-reaucrat, then Knesset member and

The one exception was Camp David Mr. Shamir, then speaker of the Knesset, opposed the 1979 accords with Egypt, arguing that Mr. Begin had given too much away in agreeing to dismantle all Jewish settlements built during Israel's oc-cupation of the Sinai Peninsula, and he abstained on the final vote. Mr. Shamir now portrays himself as Camp David's most ardent

champion.
Otherwise, he was Mr. Begin's

zealous nationalist in striped

Mr. Schiff, defense correspondent for Haaretz, Israel's most distinguished daily newspaper, was one of the first to learn about the 1982 massacre of Palestinians by Israel's Lebanese Christian militia allies in the Sabra and Chatila refugee districts in Beirut, and he took his information to Mordechai Zippori, then the communications minister. Mr. Zippori called Mr. Shamir, informed him that a slanghter was apparently taking place at the Berrut districts and pleaded with him to take up the matter with senior military officials at a staff meeting later that day. Mr. Shamir never did, and the killing continued for another day.

The Kahan Commission that as-

sessed responsibility for the massa-cre concluded that Mr. Shamir may have misunderstood Mr. Zippori's words. It confined itself to the judgment that Mr. Shamir had "erred" in not passing on the infor-

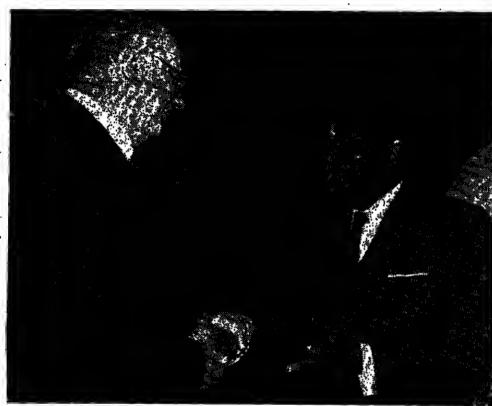
Mr. Shamir's biggest complaint against Mr. Peres seems to be not that the Labor leader broke their agreement by pressing for an international peace conference after Is-rael's ruling "inner cabinet" reject-ed the idea on a tie vote, but rather speaker, and then as foreign ministhat by doing so, Mr. Peres shattered the facade of unity.

By "this traitorous step," Mr. hamir told the rally in Petah Tikva last week, Mr. Peres "broke the

national unity government."

The result, the prime minister contends, led directly to the the Palestinian uprising in the West Bank and Gaza Strip.

Still, Mr. Shamir says he is prepared to form a new unity coalition with Labor.



BOTHA TAKES DIPLOMATIC DRIVE TO IVORY COAST - President Félix Houphouêt-Boigny, right, welcoming President P.W. Botha of South Africa at Yamoussoukro, the Ivory Coast capital, where they discussed conflicts in southern Africa for nearly five hours. Mr. Botha has been meeting black African leaders in recent weeks in an effort to end South Africa's political isolation.

### No Cuba Pullout Pact, Angola Says

By Robert Pear New York Times Service WASHINGTON — Angolan and Cuban diplomats have denied reports that they have reached agreement with South Africa on a hedule for the withdrawal of Cuban troops from Angola.

On Oct. 9, after three days of talks in New York, U.S. officials said negotiators from Angola, Cuba, South Africa and the United States had agreed that all Cuban troops should be withdrawn in 24 to 30 months. The officials' comments were reported Oct. 10 in The

But Manuel Pedro Pacavira, Ansola's representative at the United Nations, and Ricardo Alarcon de Quesada, Cuba's deputy foreign

minister, said there was no agreement on the specific number of months. They want 30 months, while the South Africans want 24. their departure.

Under a formula proposed by the United States, the withdrawal of Cuban troops from Angola is to be linked with the independence of the neighboring territory of South-West Africa, South Africa administers the territory, which is also known as Namibia, in disregard of

UN resolutions. South Africa, Angola and Cuba agreed in Angust that South-West Africa should begin its transition to independence on Nov. 1.

But some experts on southern Africa said they would not be sur-prised if the Pretoria government did not meet that deadline. The pace of Cuban troop withdrawals is a more difficult problem than the overall time allowed for

Wayne Smith, former head of the U.S. interests section in Cuba, said Cuban officials told him this week that South Africa wanted 90 percent of the Cubans withdrawn in

the first year. By contrast, he said, the United States contends that about 75 percent should pull out in the first year, while Cuba and Angola beheve that 50 percent would be sufficient. But he said Cuba would be willing to move the remai troops north of the 13th parallel they would be far from the

Namibian frontier. U.S. officials say Cuba has about 50,000 troops in Angola supporting the Soviet-backed government.

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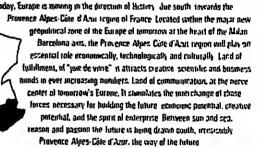
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### **Dukakis on the Ropes**

the other night is perplexing. For days the word on the street had been that the Massachusetts governor was going to come out slugging that he was really going to take George Bush on, that he had some devastating October surprises up his sleeve, etc. His people talked about "the plan." If it in fact existed, then presumably the governor either clutched (one theory) or thought better of it (another) or for some third unspecified rea-son performed as routinely and stiffly as he did. But this is a perplexity which in no way truth, which is that whatever did or didn't happen to "the plan" for Thursday night, Mr. Dukakis's problems during the debate proceeded from a couple of large, basic failings of his campaign, failings that can be described as strategic rather than tactical.

The first of these has been a misplaced insularity and smugness that appear to have caused him and his top aides to think that all you needed to do was say "George Bush" and everyone in the country would start laughing and hissing, but mainly laughing. In Atlanta, after all, this is what happened; and, as was universally pointed out at the time, mere straight-faced utterance of the words was also guaranteed to make people laugh on the late-night talk shows and in other precincts where wisecracking, as distinct from vote-getting, has been raised to a high art. Mr. Bush, whose prep school idiom and often frenetic television manner never did reflect the whole man, got his revenge the other night.

The other strategic trap has been Governor Dukakis's apparent belief that he could win by getting the support of that legendary and perhaps chimerical group, "the Reagan Democrats," and that he could, in turn, achieve this by sort of dancing around the record. Thus he has given the absolute minimum of support or even acknowledgment to certain traditional liberal constituencies that are indispensable to a Democrat's success and responded to George Bush's more scurrilous attacks not with how-dare-you or you're-damn-right-I'm-for-that-and-I'lltell-yon-why, but rather with retorts of Iam-nut or that's-unfair and photo-ops of

himself surrounded by ever more flags. Thus again the other night the occasion cried out for Mr. Dukakis to stop reacting to the "charge" that he was a liberal, as if be had just been called a war criminal or a child molester, and step up to the challenge of defining what in the best terms that honorable word means. This he should have started doing months ago, as soon as the nature of the demagogic Republican attack-line became clear. But as of Thursday, the Democratic candidate was still treating it as a

In some ways, Michael Dukakis's rout libel. You had a feeling he might actually sue. George Bush has profited from both these miscalculations. He was able to upstage Mr. Dukakis personally the other night and evidently to take him by surprise. He has been running a rather effective good-cop / bad-cop campaign, with himself playing both parts. He was also able to make the Massachusetts governor look defensive and unsure, since Mr. Dukakis is so often at pains to explain that whatever be is for is not, God forbid, liberal and should in fact appeal to did. But this is a perplexity which in no way prevents you from understanding a larger so successfully mobilized. We think the reason the Democratic candidate seemed so programmed, even strangled and subdired, may be that the very limitations of this strategy were choking him.

There are aspects of Governor Dukakis's liberalism, especially on social issues, that we like; and there are other aspects of it, especially on foreign policy and defense, that we do not. But we are truly convinced that be would be a much more persuasive and attrac-tive candidate if he had risked an open, straightforward, aggressive avowal of and argument for his authentic views. Nothing in the foregoing sections, as they

say in law, should be construed as approval of the vice president's ad hominem campaign strategy and tactics or as suggesting that Mr. Bush has himself been straightforward with the public. For just as the Massachusetts governor's supporters ask one to believe that he is not what he is, so Mr. Bush's ask one to believe that he is not at all happy with the meaner, rawer aspects of his own campaign. But our attention today is addressed to the way in which Governor Dukakis has let elf be trapped by his opponent.

We do not, as you may have noticed, get into the so-called "likability" question here. We think it is a perversion of the real issue. This is emphatically not to say that the persona of the candidate is a trivial matter compared with his stands on policy, or that we think the race is between two conflicting sets of think-tank position papers. On the contrary, the individual candidate — his personal capacity to be president, which involves not just the worthiness of his views but also, and critically, his fidelity to them and his ability to get them legitimated by the American people — is key. The Dukakis people, down in the dumps after Thursday night's debate, point out bravely that Hubert Humphrey was as far down as their man at this point in 1968 and that he came up fast and nearly won it in November, True, Also true: Hubert Humphrey got his big last-weeks boost by finally and dramatically campaigning not as his earlier campaign contrivance, but as the man he really was.

-THE WASHINGTON POST.

#### **Trade Medicine to Come**

August. (Cheers.) But imports also set a new record in August. (Groans, lamentation, wringing of hands.) And the trade deficit, which is the difference between the two, has bounced back up again. As those import figures show, the great American consumption boom of the 1980s is still running strong. The United States is still spending about \$120 billion a year more than it earns.

That is better than last year's trade deficit, which was \$152 billion. That number, incidentally, is a little lower than the one you've been accustomed to seeing because the Commerce Department is changing its method of valuing imports. In the 1970s, protectionists got Congress to enact a re-quirement that inflated the value of imports; the idea was to panic the country into shutting out foreign competition. This summer, in the Omnibus Trade Act, Congress deleted that ploy on grounds that the trade deficit is now quite large enough even when calculated accurately. The purpose of these statistics is, after all, not to spook people but rather to warn them of the bilis that they are running up and that they, or their

descendants, are going to have to pay. The question now is whether, and bow fast, the trade deficit is going to keep falling. The comparison of this year's perfurmance to last year's is pretty hopeful. But you need to know that the whole improvement was in the months from the peak of the deficit last autumn to the middle of the spring. Since May it has been hard to see any real trend one way or the other. Perhaps one reason is that the exchange rate of the dullar has been rising. It would be unusual for trade to respond so quickly to the exchange rate. But it is possible that importers, badly squeezed by the earlier decline of the dollar, have rushed to take advantage of this pre-election rise during the summer.

To get the deficit down will require either a lower dullar or less spending by consumers. In reality, it will dnubtless take a combination of the two. The Reagan era will be remembered for many things, some of them good and useful. But this reckless accumulation of foreign debt is certainly going to be high on the list. The next administration's approach in the trade deficit is an enigma. Since most voters don't want to hear about it, neither candidate has chosen to talk about specific remedies. But the monthly numbers say that it would be unwise to expect that this historic trade deficit

will cure itself automatically, or painlessly. - THE WASHINGTON POST.

### Perestroika in Algeria

A week of deadly rioting against austerity measures in Algeria has shaken the complacency of a regime inclined to live on the myths of a revolutionary past. President Chadli Bendjedid has responded sensibly with a program of accelerated political and economic reforms. Americans and all others who value stability in this strategically situated country ought to root for the success of his attempts at perestroika, Algerian-style.

A generation ago, the National Liberation Front's victory over French colonialism in-spired the Third World. Under the front's one-party rule after independence in 1962, Algeria followed a state-run development model that managed to combine steady economic growth with a degree of social progress, including advances in the status of omen. The front, for the most part, avoided the systematic repression that has discredited other one-party revolutionary regimes. With its revolutionary credentials and international respectability, Algeria became a useful diplomatic broker, as for example in the 1980-81 U.S.-Iran hostage negotiations.

Lately, however, the front has run into trouble. Hydrocarbon exports, amounting to 97 percent of export revenues, provided \$13 billion as recently as 1985. Plunging oil

in half, dragging down government revenues and living standards. The front's mythology also fell victim to the relentless demographics of the Third World. More than half of the present population is under 21 years old. Only a minority of today's Algerians have direct memories of the independence war. In two and a half decades the revolutionary

vanguard has become the old regime. Tn his credit, President Bendjedid, a pragmatist, saw crisis coming before it exploded on the streets. His previous efforts to loosen the hold of the ruling party on economic and political life produced a backlash in the front's old guard. Now be has upped his challenge to party critics by seeking a mandate to phase out one-party rule in a constitutional referendum set for Nov. 3.

His success is far from assured, and Islamic fundamentalists as well as party hardimers stand ready to exploit any missteps. 'Algeria's neighbors, which include Libya, Morocco, Tunisia, Spain, France and Italy, have their own reasons to worry about poss ble outcomes. Washington would be prudent to heed its allies' concerns. Colonel Bendjedid's reform program warrants U.S. support. - THE NEW YORK TIMES.

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### **OPINION**

### Deprive Us of 'The Enemy'? Sure, Go Right Ahead

WASHINGTON — "All politburo members are equal," explained the chief Soviet fireign policy spokesman, Gennadi Gerasimov, "though some of them may be more equal than athers." Leave it to sophisticated Gennadi to describe Mikhail Gorbachev's recent palace coup - in which Mr. Gorbachev and his allies came out

"more equal" than the nefarious Ligachevites — with a knowing allusion to Orwell's satire of Kremlin-style rule. An inside jnke of a high order, defthy executed.

Everyone agrees that something real is going on in the Soviet Union, but no one can define exactly what it is. Mr. Gerasimov's slickness, like Mr. Gorbachev's tailoring and Vladimir Posner's New York accent, gives the impression that Gorbachevism is mere sophistication of presentation. But note another Gerasimov nugget. Asked what Mr. Gorbachev and his fellow coup-makers want to accomplish, he mentioned food, goods and housing. He then added, "And we want to be a civilized nation."

Not many government spokesmen will admit that their nation is less than civilized. It is not clear whether the marks of civilization to which Mr. Gerasimov alludes are human rights, convertible currency nr abundant soap, but none of these is to be found in the Soviet Union and it is clear that the resultant

By Charles Krauthammer

feelings of inadequacy, shame even, are driving Mikhail Gorbachev and perestroika. In the '60s, Gorbo and Raisa took a long motor tour of Italy. Nates a Soviet scholar, Stephen Sestanovich, "Can you imagine what it's like to come home to Stavropol after a week in Tuscany?"

"Civilize" may thus be the wrong word for understanding Mr. Gorbachev. The key word is modernize. And modernization, it is now conceded everywhere, means a market economy and a pluralist or democratic polity. The market has provided the first solution ever to the problem of scarcity. And democracy has provided the first enduring solution since divine tight (of kings) theory to the problem of political legitimacy. Put another way, the great achievement of

That the West has buried the East economically is obvious to all. But perhaps more important, it has buried the East politically.
While the West has largely assuaged its
class and national antagonisms (the most
spectacular example of the latter being the looming integration of Europe), the Commonists are wracked with strikes and ethnic rinting (the most spectacular example of the latter being Yugoslavia and Armenia).

the West is not just its wealth but its stability.

The great ideological transformation of our time is the recognition worldwide, from Chile to Poland to Korea to Russia, that modernization - working telephones, affordable meat, social peace — requires markets and some facsimile of democracy. And modern-

ization is Mr. Gorbachev's project.
Should we then wish Mr. Gorbachev to succeed? I think yes. The more decentralized, more pluralist, more open — that is, the more like the West — the Soviet system becomes, the less likely it is to see its destiny in inevitable, irreducible conflict with the West.

We have had hints of that. Last July, Foreign Minister Eduard Shevardnadze declared that class conflict (i.e., the struggle against Western "imperialism") is no longer the guiding principle of Soviet foreign policy. That declaration acquired some retroactive credihility when Yegor Ligachev attacked it in a subsequent speech. It acquired more credibil-ity when repeated by Vadim Medvedev in his maiden speech as chief ideologist.

Mr. Shevardnadze was not just playing Mr. Nice Guy. "The idea, which gained a firm hold in the minds and deeds of certain strategists, that the Soviet Union could be as strong as any possible coalition of states opposing it is absolutely groundless," he de-

clared. In other words: Rethinking the Cold War is mandatory because we are losing it. Over the inng run and if followed up with action (such as cuts in military spending and

in forward deployments in Eastern Europe), such talk holds out the possibility of a de-ideologized international arena. If Mr. Gorbachev's experiment continues long enough, the world of the 21st century could be more like that of the 19th like that of the 19th, a managed rivalry of great powers, than that of the 20th, an unmanageable clash of warring ideologies. It is a development in be welcomed. The 19th century, it is worth remembering, was infi-

nitely less bloody than ours.

At the Washington summit, Georgi Arbatov made his now famous threat: We are going to deprive you of The Enemy. But that

is not a thrent. It is a promise.

It would be the ultimate triumph of the Western strategy of containment, which in 1947 George Kennan predicated on the hope that the Soviet system, if contained long enough, might ultimately transform itself under the pressure of its own contradictions.

The mellowing of the Soviet Union would be

the greatest victory for the West since V-J Day. It matters not a whit that the Cold War should end with a whimper instead of a bang. Deprive of us of The Enemy? Go ahead. Make my day. Washington Post Writers Group.

**Conservatives** 

May Not Enjoy

By Tom Bethell

WASHINGTON — I suspect that conservatives were both bappy

and relieved by the time it was over.
Michael Dukakis had not scored his
much needed "home run." George
Bush had maintained his lead, perhaps

even increased it. With unaccustomed

decisiveness, Mr. Bush had rejected

further debates and therefore limited

Mr. Dukakis's future scoring opportu-nities. It seems probable that Mr. Bush

The vice president's debate perfor-

mance in Los Angeles Thursday

night was a great improvement over his first outing in Winston-Salem, North Carolina. He was less flustered

and spoke mostly in sentences rather

than gobbled phrases. Mr. Dukakis

was, as always, the more finent per-

former, and he conveyed the impres-sion that he is the more knowledge-

able of the two candidates. But this

may not have helped him.

is headed for victory in November.

What Follows

### In America's New Politics, Bush Can Only Win

By Flora Lewis the talk back to the real world, point-

The election isn't over. But the second and, Vice President George Bush made clear, final confrontation of presidential candidates left Governor Michael Dukakis well short of

the breakthrough he needs.

As these shows go, Thursday night's was an improvement. Mr. Bush kept expressing his "respect" for the governor as a family man, a man of ethics and so on, switching gears from crude attacks on his patrintism and falsely alleged indulgence for criminals. But Mr. Dukakis was still defensive, wondering repeatedly which George Bush was the real one.

The questions were intelligently devised to probe the central issue on voters' minds - not really what measures a new president would push, but; What kind of men are these? What is in their gut? What makes them react? Which nne would you be more comfortable with on your living room screen for the next four years?

Perhaps we have to resign ourselves to this as the new TV democracy. The medium doesn't lend itself to untangling complex issues. There is no way, it seems, to bring candidates to a House of Commons type argument on how they would carry into practice the generalities they splash about. Mr. Bush's experienced managers

WASHINGTON — Has an American political campaign ever been so divorced from the

realities confronting the country? That was the

question that came to mind as I watched the second debate between George Bush and Michael Dukakis.

The prime reality that threatens is economic.

Henry Kaulman, the Wall Street seer, summed it up

as follows in an article for The New York Times

Magazine: "Whoever is sworn in as the 41st presi-

dent will have to deal with economic problems more

complex and more potentially treacherous than any

The problems are no secret. Among them are a huge federal budget deficit, a trade deficit that remains high despite a falling dollar, an enormous

accumulated debt to the rest of the world. To those

Mr. Kaufman added the growing crisis of bank-

rupt savings and loan associations, which may cost

Vice President Bush was asked a number of

questions on Thursday about how he would move

loward a balanced budget. His answers added up

to: Go on with essentially the policies of the

Reagan administration - the ones that have

brought America to the edge of disaster.

A "flexible freeze" in the budget would dn the

trick, Mr. Bush said. He would never raise taxes.

What new weapons systems would he drop to cut

the ballooning defense budget? He could not name

taxpayers \$100 billion in bailouts.

seen since the time of Franklin D. Roosevelt."

understood this. They let him say a good deal of nonsense about defense, which is going to be a matter of mak-ing hard choices that were put off ing eight years of pretending that throwing money at weapons systems answers the problem of security. He in effect echoed former Defense Secre-

The voters are getting what they seem to want.

tary Caspar Weinberger. When the latter was asked in 1981 what his strategic priorities would be, he just said

"more of everything," and be built up a budget with no inherent logic.
"My secretary of defense will have difficult decisions," Mr. Bush said, as though nn one should expect the president to carry the burden. He also said that "only the U.S. can stand for freedom and democracy, you can't turn it nver to multinational organizations." Did he forget about America's alliances? Does he really want to go it alone? Doubtless no. but the assumption is that it doesn't matter what the words are if the message seems sincere and reassuring.

Mr. Dukakis tried manfully to turn

sounded like some kind of arcade game to most viewers, he showed that he has hold of the jargon without projecting a guiding vision.

Mr. Dukakis didn't come across as someone who could rally the nation, console it when tragedies come, inspire it to do its best. His mechanistic

answer to the deeply personal question of his response to a hypothetical rape and murder of his wife was seriously damaging. Again, doubtless no, he would not think first of drug edncation programs, but he let himself sound like a governing robot, not a flesh and blood president.

ing out that economic and military

security cannot be separated and that

a president has to be ready to decide.

But when he recited the names of

weapons systems, which must have

Not that Mr. Bush did better nn the rousing leadership score. But be didn't have to. He can run on "Don't rock the boat" and "Don't fix it if you don't think it's broken."

This leads back to the primaries. Would the Democrats be doing better with a different candidate? Some say no, you can't beat the promise of "peace and prosperity" with ominous

scandal, reliance on gaffes. (And Mr. Bush did make another one. Pressing his insinuating attack on the American Civil Liberties Union, surely a prime example of the constitutional "values" he claims to uphold, he said, "I have enormous differences with the ACLU, with their gender, their

left-wing political agenda.")
Some Democrats say yes, perhaps
New York's Mario Cuomo would have made their theme of attending to America's needs, providing more than individual self-interest to give the society healthy coherence, more lifelike and appealing. Evidently, the televi-sion and computer age doesn't make expertise the dominant factor; it adds yearning for the human dimension. It's a wonder that "liberal" has become such a dirty word. Perhaps Mr. Dukakis didn't know how to as-

sert the social conscience and pride of community that it can offer. He only noted wryly how often Mr. Bush slugged it at him, for him to duck. Whatever you may think of Ron-ald Reagan's legacy, and I for one find some grave faults in it, it has focused Americans' attention on how they feel, not what they think the country should do. This then is the

new politics. The handlers are giving voters what they seem to want.

economic future of the United States.

product, high-definition television.

schools, the key to economic competitiveness as well as to a civilized culture, are a disgrace.

We have heard some of this from Mr. Dukakis -

in between his unnecessarily defensive attempts to

deal with attacks on his patriotism and his liberal

view of human issues. But it is hard for a challenger

to warn about an oncoming national criss. If he does, he will be charged with knocking the country.

Illusion is more comfortable than reality. Or so American voters feet, judging by the polls. The deluge can wait until after Jan. 20.

### Mr. Dukakis's problem is that his philosophy — essentially, unlimited

government disguised as the search for pragmatism and competence — is popular enough in Massachusetts to get him elected governor, but (proba-bly) impopular enough in the country The Budget and Military Realities Are Irrelevant as a whole to ensure his defeat as cars, but he was as unforthcoming as Mr. Bush when presidential candidate. If he thought it came to cutting domestic programs. And some otherwise, he would have "labeled" will have to be cut, entitlements among them. Mr. Bush a conservative by now. Budget figures seem abstract. But these are not

I'm in Mr. Dukakis's corner on "liktochnical matters to be left to experts. We are talking ability"—a phony issue if there ever was one. Yes, Mr. Bush is probably the - or rather we should be talking - about the more likable. But since when did qual-The economy that dominated the postwar world ifications for the presidency include winning a congeniality contest? Ronhas begun to slip in the competition of what is now a genuinely international market. Indeed, America ald Reagan is the personification of congeniality, but has this made him a better president? Many conservatives seems unable to compete with Japan or the other rising Asian countries in high-technology products. The American semiconductor industry has slummed. think it has been his great weakness. America does not make video cassette recorders. It He has often seemed driven by a desire is unprepared for what will be a big market in a new to stay popular, his policies sometimes ed by a desire to do whatever Investment is so low that the country relies on is needed to get good press. The press foreign investors to put money into American indusshould be deploxing, not encouraging, this new ethic of niceness. try, and so they own more and more of it. America's

The Soviets nn doubt also find the vice president likable — and to their liking, judging by the number of times he brought up arms control as the sine qua non of foreign policy. Soviet publications have been neutral in their comments on this year's election, but I would be surprised if they are not quietly rooting for Mr. Bush. The big item on next year's foreign policy agenda will be a continuation of the strategic arms reduction talks, possibly culminating in a 50 percent reduction in the U.S. nuclear arsenal. (This will be accompanied by a promised Soviet reduction of comparable size.) With his relative immunity from right-wing criticism, Mr. Bush is far more likely than Mr. Dukakis to

be able to complete such a deal. Conservatives are now confident about November but not at all confident about a Bush presidency. Three achievements that will keep conservatives happy are a deployed strategic defense, the appointment of pro-life judges and no new taxes. Mr. Bush has waffled on SDI and promised "no litmus tests" on judges. On taxes, Mr. Dukakis was right to point out that the Reagan administration has raised taxes as often as it has cut them.

The writer, Washington editor of the American Spectator, contributed this comment to the Los Angeles Times.

#### "gradually stabilize at around 4 percent of GNP." That is a staggering political task—to reduce the military's share of the economy by a third. No viewer got a hint of such realities from Mr. Bush's easy talk of "competitive strategies" in the development of new strategic systems. Mr. Dukakis said he would not spend "billions and trillions" on "star wars" and would not put MX missiles on railroad one in the Pentagon's long list, mentioning only a military truck added by Congress. The New York Times. Liberals Don't Campaign Well Outside the Fold

By David S. Broder

By Anthony Lewis

The separation from reality in those answers is hair-raising. Consider Pentagon spending. The Congressional Budget Office has just re-

ported that the weapons programs already planned and approved for the next five years would need a

percent annual increase in military spending

above inflation. That would add between \$175

billion and \$250 billion to a level military budget.

There is no chance whatever of that kind of rise

- the Reagan administration and Congress agreed this year to keep military spending level, with

increases only for inflation. So even to keep within present budget limits it will be necessary to cut from \$175 billion to \$250 billion from the Penta-

gon in the next five years. That has to mean

In fact, if the national budget deficit is going to he reduced, Pentagon spending cannot even stay at its present level. It is now 6.1 percent of gross national product. Mr. Kaufman said it should

"gradually stabilize at around 4 percent of GNP."

hopping several new weapons systems.

L OS ANGELES — Two years ago this month, Juhn Sasso, the able political handler of Michael Dukakis, was sitting at lunch in Boston's venerable Locke Ober restaurant, running down the pluses and minuses of a possible presidential candidacy by the governor of Massachusetts.

Mr. Sasso talked about Mr. Dukakis's growing national reputation as an innovative state executive who was dealing with the challenges of a chang-ing economy and finding "consensus" solutions to such nagging problems as job retraining and welfare reform.

Such an approach, he said, could translate to the national level. But there were real questions, be conceded, whether Mr. Dukakis could compete effectively against other Democratic contenders while holding down his job as governor. And no one could judge in advance, he said, how voters across the country would react to the name "Dukakis" or the notion of having a second-generation Greek immigrant's son with a Jewish wife as the president and first lady.

This reporter suggested that there might be another problem, bigger than any of those. With so much of the Democratic Party leadership saying it needed to look southward and a bit rightward to regain the support of lost Reagan Democrats, the largest barrier might be the label "Massachuselts liberal Democrat." Mr. Sasso demurred. Ideology was the Democrats whn were running state governments all across the land. That has proved true in one sense and fatally wrong in another. Mr. Du-

kakis is mainstream in his program proposals. Those he has put forward on college loans, housing and health care are likely to be passed by a Democratic Congress in the next four years. Most would be signed by George Bush if he become president with the care if he became president, with the same enthusiasm President Reagan showed recently in signing a welfare reform bill which also bore the imprint of Mr. Dukakis's thinking. They are creative solutions to real problems.

But at the level of symbols and values, Mr. Bush has effectively made the case that Mr. Dukakis is outside the mainstream. That, as much as the vice president's winning personality displayed in the final debate Thursday night, is why be stands on the verge of victory in the 1988 presidential race.

By this year, Mr. Sasso knew that the Republicans would try to paint Mr. Dukakis in alien colors on the emotional issues of God, flag and country. After Mr. Dukakis cinched the nomination, but before the Democratic convention, at a time when smugness pervaded the Dukakis headquarters in Boston, Mr. Sasso told me he was afraid "there are hard times

Impeccable Numbers Don't Charm the Audience

T HE policy experts who bover around Democratic candidates would serve them better if their and a serve them better if they could come up with some good jokes and fewer mindnumbing statistics. A candidate from the party out of power needs extraordinary Characteristics to mount a challenge in times of peace and at least arguable prosperity. Outstanding human qualities and an ability in strike some responsive chord deep in the souls of Americans and in link up with them spiritually are more important than meticulous policy analysis. If the Democrats should have learned anything from Runald Reagan, it is that American vitters are more likely to be wooed and won by the candidate who charms them a little more than by the one whn gives them impeccable data. - Ross K. Baker in the Los Angeles Times.

the "Biden tapes" incident.

By the time be was recalled, the Bush campaign had done a number on Mr. Dukakis, using symbolic issues such as his veto of a Pledge of Allegiance bill, his prison furlough pro-gram and his membership in the American Civil Liberties Union to drive a wedge between him and most voters. The Dukakis campaign's failure to anticipate or answer that attack may well have cost the Democrats their best chance of winning. Why was Mr. Dukakis so vulnera-

ble to such an attack? There are at least three reasons. First, he is genuinely uncomfortable showing private emotions on the public stage. A man who shows not the flicker of shock or anger at a truly brutal question about the hypothetical rape and murder of his wife is not a man whn can convey the feelings he undoubtedly has about flag, country or Creator. Second, on some values questions

be is in fact outside the mainstream. The political culture of Massachusetts is as far left of center as the political culture of Mr. Reagan's circle of wealthy Californians is to the right. The difference is that Mr. Reagan al-ways has known that be had to defend his world view, while Mr. Dukakis seemed sublimely confident that people would just accept his as correct. That has come across to people as arrogant, and they may not be wrong.

Finally, the Democratic Party nominating process encourages the tendencies of candidates such as Mr. Dukakis to give full vent to their liberal impulses and values while understating or concealing the conservative instincts that they may possess.

Few Democratic politicians would deny that the ticket would be stronger if Lloyd Bentsen of Texas were on top and Mr. Dukakis were his run-

ning mate. But the party's Bentsens cannot compete in the current nominot a big problem, be said, and Mr. coming." He was right, but be was in nating system, as the senator discoverile for his mistake of judgment on ered when he tried in 1976.

Except for Jimmy Carter, the Deanocrats have a history of nominating liberal candidates who come from liberal states, where the Republican opposition is weak. The Hubert Hum-phreys, Walter Mondales and Michael Dukakises are skilled in playing to the liberal constituencies inside their own party. They are vulnerable to value-based attacks from conservative Republicans. That is why the Democrats have so many unhappy autumn days while other America are enjoying the World Series.

The Washington Post,

#### 100, 75 AND 50 YEARS AGO

1888: Cane With a Lift PARIS - A new style of cane, which

will be largely sought after by the dude element up town, has been put on the market and is having a rapid sale. From the handle, for a distance of several inches, the interior of the cane is hollow, the lining being of porcelain. A gill and a half of whiskey or brandy can be poured into it, and a little rubber tube, artfully concealed, enables the possessor to sip or draw the contents at his leisure. It is particularly useful for that class of individuals who insist nn going out be-tween toe acts at the theatres.

1913: Sulzer Convicted

NEW YORK - Mr. William Sulzer, the impeached Governor of the State nf New York, was found guilty by the Impeachment Court this afternoon [Oct. 16] by a vote of 39 to 18. The Court found him guilty of filing a false statement of campaign contributions and also of perjury.

1938: U.S. Air Plans Set WASHINGTON - Radically alter-

ing its air defense policy in the light of new European developments, the War Department plans to carry out President Roosevelt's suggestions regarding the standardization and mass production of airplanes, it was learned today [Oct. 16]. The Army will develop new types of experimental fast ships matching anything turned out in Europe. Emphasis will be shifted from the formidable "flying fortress" type to light, fast craft which can be used with ground troops. A special tax to pay the cost of the increased armaments was advocated by Bernard Baruch, the President's financial and economic adviser, who has declared that Nazi aggressiveness is now threatening America. Mr. Baruch denied charges made against him in German news-papers that he was a "war monger," warned that Germany, Japan and Italy were trying to get a foot-hold in the Western Hemisphere.

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#### Airlifted Food Makes Its Tortuous Way to Victims of Famine and War in Sudan By Jane Perlez. In Abyci alone 10,000 civilians, most of them Dinka refugees from the war in New York Times Service ABYEI, Sudan - A 10-year-old girl. so feeble from mainturition that she

woman, was helped into the feeding cen-It was a great effort for the girl, Ag-wok, to sit down in the gray dust and await her turn.

walked with the faltering steps of an old

Eventually, a high-protein biscuit was unwrapped in front of the emeciated Dinka girl. From somewhere she found the strength to cup her hands and receive

Agwok's pale-yellow biscuit, from which she took slow bites, was among the first relief supplies to arrive last week by airlift in this remote front-line town in

Sudan's war-ravaged south.

The delivery of grain by the Agency for International Development and of spe-cial food and medical supplies for chil-dren by UNICEF was the beginning of what aid officials described as a continuing airtift into eight Sudanese towns where there have been thousands of deaths from starvation because of the widening civil war and famine.

the surrounding area, have died of starvation since the beginning of the year, said the commanding Sudanese Army officer, Abbas Sadiq.

In some ways, the airlift touched down too late for Abyei, a town on the border of the southern war zone. The worst had already hannened There were no signs Friday of children

under 2 years old among the 600 mal-nourished, mostly naked youngsters. "Actually they are dead," said Dr. Taban Nelson, a physician with the Sudanese Red Cresent, who arrived from Khartoum with the first shipment of

break of measles and they died in July." The children who received extra rations on Friday from UNICEF were the Many children were too weak to walk

food. "We were told there was an ont-

from their huts to the feeding center, Dr. Neison said. At the opening of a conical thatched hut about half a mile (800 meters) from

the feeding center, a mother said that she

was too sick to take her starving child for the morning rations. The adults, most of them women, had not yet seen any of the 90 tons of grain

The 90 tons of emergency grain was being stored by the local council in a jail near the feeding center. It was not clear what was holding up the distribution.

that had arrived in three simplanes chartered by the aid agency. The bags were being stored by the local council in the jail near the feeding center. It was out clear what was holding up

Officials of the aid agency in Khar-tourn have said they plan to send members of the Sudanese Relief and Rehabilitation Commission to Abyei to ensure that the food is equitably given out

But amid the fields of graves and the stark evidence of continuing starvation in the village, there were well-nourished

Young boys from the Nuer tribe were carrying freshly caught fish. All the Nuer tribesmen were herding cattle on the fringe of the village.
Prosperous-looking Moslem merchants and soldiers were selling food at

exorbitant prices in the forlorn marketplace. A can of grain was selling for 15 times the usual market price.
It was the Dinka, who had come from the surrounding countryside, fleeing the militia armed by the government, who had suffered most of the deaths and the

continuing starvation, aid workers said. The Dinka, also a cattle-owning people, have been the main victims in a civil war between the northern-based and Islamic-dominated government and the

Southern People's Liberation Army, a

mostly Christian and animist group that

recruits mainly from the Dinka, diplomats and aid workers say. A foreign diplomat said that of a population of two million, "hundreds of thousands of Dinka have died from starvation and killing" since the civil war began five

years ago. In Abyei, Dinka civilians are automatically considered rebel sympathizers by the local representatives of the Khartourn government, foreign aid officials said. "The Dinka of Abyei are the victims of

northern discrimination," said Cole P. Dodge, the representative of UNICEF in Sudan, who flew into the village Friday. "They are the victims of a war, who get displaced into a hostile tribal region where there is traditional rivalry over water and grazing rights," he said. "So their treatment even in normal times would not be expected to be very good, and in times of war where the SPLA had done most of its recruiting from the Dinkas, they are immediately suspect."

Among the Dinka refugees in the village, there were few men.
The men, aid workers said, had probably joined the guerrillas or gone north to Khartoum.



### NICARAGUA: The Misery Deepens, Despite Peace RESIGN:

(Continued from Page 1) bloc, which has been Nicaragua's main source of financing in the last decade, shows on interest in in-creasing its aid.

In September, Nicaragna's threehat Follow the grouping of nations calling themselves the Nonaligned Movement failed when Yugoslavia, which had not sought the post, was

chosen. Sandinista leaders say economic and military aggression from the United States is principally responsible for the country's deepening problems. The United States obscrves a trade embargo on Nicaragua and has been the principal supporter of the contras, whose attacks have inflicted hundreds of millions

of dollars in damage since 1982. It has also encouraged its allies abroad to deny loans and other

forms of assistance to Nicaragna. Critics of the Sandinistas, however, say the reason for the conntry's economic collapse is a system that discourages private enterprise. They say there can be no recovery until the government abolishes agencies that set prices and control food production and distribution.

President Daniel Ortega Saave-dra acknowledged recently that the condition of Nicaragua was "highly critical," but said most citizens did not blame his government. "People understand that the war is the main factor," Mr. Ortega

Many doctors are among those who have given up trying to cope with the increasing difficulty of life in Nicaragua. They have either quit

work as market vendors, or have to be a repressive political system, left the country, often accepting most say they are forced to seek

menial jobs abroad.

At the Bertha Calderón women's hospital in Managua, 22 of the 39 gynecologists who were on the staff two years ago have resigned. Others went on strike briefly in August, seeking better wages, but returned when the minister of health warned that if they persisted, they would be replaced by personnel brought from Cuba.

Doctors are not the only professionals who are steadily leaving Nicaragua. The country's principal association of construction con-tractors estimates that of the 750 engineers who were working here in 1985, only 220 remain.

In border areas, residents report that groups of peasants regularly slip across into Costa Rica and Honduras. In many towns, a day rarely passes without news of another family that has departed. Even Nicaraguan sports beroes are leaving to try their luck else-

where; among the most recent is the baseball star Ernesto Lopez, last year's home run champion. The educational system has been devastated by the desertion of large oumbers of teachers, whose salaries

barely reach subsistence levels. "Most · Nicaragnan schoolchildren are being taught by teen-agers who are hardly educated themselves," said Hortensia Rivas, a. longtime teacher who helped organize a strike of teachers against the deposed Somoza dictatorship I8

years ago. Although some of those who

medicine to take up more lucrative leave are fleeing what they consider new borizons because they can no longer survive in the steadily contracting economy. Statistics support the perception that life in Nic-aragua is more difficult than it has

The inflation rate this year is running at several thousand percent, and prices have shot up dramatically as a result of economic austerity measures imposed in Febmary and June.

#### ZIA: Sabotage Ruling

(Continued from Page I) pit to incapacitate the four-man

Mr. Zaidi ruled out the possibility of an outside attack by a missile or the physical incapacitation of the pilot or the co-pilot. A hijacking attempt or an act of suicide by someone on board were also disconnted. Commodore Mirza said in the

report, "The only possibility is that it is a criminal act of highly sophisticated sabotage." Mr. Zaidi said it was premature to lay responsibility on anyone. No

arrests have been made, although

some people have been interrogat-General Zia, who seized power in 1977, ruled this Moslem country of 104 million people with a firm hand for 11 years. (AFP, Reuters, AP)

### Politburo Shifts

(Continued from Page 1) sevic and his demands have drawn thousands of supporters and succeeded in forcing the resignation of the entire provincial leadership of Voivodina earlier this mouth.

Since then, however, leaders in both Kosovo and the neighboring republic of Montenegro have reected demands from Serbia that they resign, and Mr. Milosevic has been sharply criticized by Communist party leaders.

On Thursday, the federal party president, Stipe Suvar, who represents the republic of Croatia, said Serbians were "clamoring for their hero," Mr. Milosevic, "to be made a strongman in charge of the whole country, like Tito."

By charging that Mr. Milosevic was seeking to take over the country, Mr. Suvar was articulating the fears of republican leaders in Croatia and Slovenia.

The Slovene party leader, Milan Kucan, has persistently attacked Mr. Milosevic in recent days, On Wednesday and on Saturday, he accused the Serbian leader of "manipulating the miseries of people," through demagogic appeals to na-tionalist feeling. "It's high time to sober up and stop the madness that is driving us all to ruin," he said.

Most diplomats and Yugoslav politicians say they doubt that Mr. Milosevic could establish control over the entire country, and some of his supporters say he would be "I am oot going to do something desto, California, Mr. Bush said, "I content with gaining control over that dumb and shift gears," he said. don't want somebody from Harthe leadership and institutions of "And yet, should I win, it would be vard telling me what I can do and Vojvodina and Kosovo. a matter of preent priority. I'd want what I can't do."

#### DUKAKIS: Aides Set an 'All Out' Push in 17 States Protestant Group of calls to state coordinators lead-

(Continued from Page 1)

doubts about Mr. Bush that have faded fast since the Republican National Convention in August. For Mr. Dukakis to do any of these things, he first must keep voters interested in the campaign, despite the attractions of fall sports, including the World Series.

Although almost every poll after the final debate pointed to a Bush victory, the Dukakis campaign field director. Charlie Baker, said be had found no "dampening of ing a Dukakis field staff of 3,000. Many of the key states identified by the Dukakis aides have been closely contested. But Mr. Dukakis's position is clearly precarious,

for any sign of a trend to Mr. Bush could start an avalanche. Governor Neil Goldschmidt, Democrat of Oregon, said: "Dokakis is at least even and probably a bit ahead here, but given our history, it would be amazing if we went for the Democrat while the country

enthusiasm" in a subsequent round was voting Republican. If it looks BUSH: He Rules Out Being Lulled

(Continued from page 1)

acknowledged in Boston that he was entering the last leg of the campaign as an underdog, but advised Republicans not to pop champagne corks too early because "we're going to be the ones cele-brating on election night."

He said he would continue fighting for the values he believes in. He said Mr. Bush, as vice president, "sat on the sidelines for eight years while America got beaten in world markets, while they mortgaged our children's future to a mountain of debt, and a piece of America was being sold off every day at bargain

basement prices." Mr. Bush scoffed at reports suggesting he had already decided oo knows who I'm talking about." most of his prospective cabinet.

to be ready to move early on the priorities that I've established." He said "there is out one scintilla of overconfidence" that he has all but won the election.

At his first news conference in more than two weeks, Mr. Bush said his election should drive interest rates down, contended that the Iran-contra affair was behind him, and took aim at a familiar target, Harvard University.

Mr. Dukakis is a Harvard graduate, and Mr. Bosh, a Yale graduate of Yale, has in the past accused his rival of having a Harvard Yard boutique mentality. "There's an elite inside the elite there," he said. "And everyone

Campaigning Saturday in Mo-desto, California, Mr. Bush said, "I

like it's over nationally, a lot of our people will get discouraged and not

turn out." To counter that danger, said Mr. Dach, the Dukakis communications director, the governor will re-turn to the economic issues on which he prefers to campaign.

Despite Mr. Bush's history as a candidate who lapses into self-induced problems when he is in the lead, few Republican leaders seem worried about that happening this time. "I really don't see any major risks," said Governor James R. Thompson, Republican of Illinois. His campaign has been damn near

flawless. There is sharp division between those Republicans who argue for continuing the hard-hitting and apparently effective attacks on Mr. Dukakis until Election Day and those who say Mr. Bush's effectiveness as president, if be is elected, will depend on his switching soon

to a more positive message, Bot those disputes are minor compared with the problems facing Mr. Dukakis if he tries to heed all the conflicting advice he is getting from fellow Democrats, many of whom are dismayed by the course of his campaign.

Representative Robert G. Torricelli, Democrat of New Jersey, said publicly what many Democrats have said privately: You only get introduced to the American people once, and perceptions have now been set. It is going to be very difficult to change them."

writing off Mr. Dukakis's chances. em Ireland.

Claims Revenge Killing in Belfast

BELFAST — The military wing of the Ulster Defense Association, Northern Ireland's largest Protestion tant paramilitary group, claimed responsibility Sunday for the slaying over the weekend of one of the association's senior figures. One other person was killed and four

were wounded during the attack.

The outlawed loyalist group, the Ulster Freedom Fighters, said it had "executed" the Ulster Defense Association leader, Jimmy Craig, who was killed when two gunmen entered a Belfast bar, forced customers to the ground and opened

A 68-year-old retired person was also killed and four persons were wounded, one of them critically.

The Ulster Freedom Fighters' statement said that Mr. Craig had conspired with the Irish Republican Army to kill the the Ulster Defense Association's second in command, John McMichael, who died when a bomb exploded under his car last year,

Mr. Craig had been acquitted of involvement in the extortion rackets that form the largest source of income for guerrilla organizations in the province.

The shooting brought to 84 the number of people killed this year in sectatian and political violence. More than 2,700 have been killed Interviews suggested that most since the IRA began a campaign in Democratic officials are not yet 1969 to end British rule in North-



### WAS RUNNING LATE BUTIFIBOUGHTIT ON THE PLANE SHE'D THROW IT AT ME. 99

Susannah can smell a duty free perfume a mile off. She says it makes her feel like an afterthought.

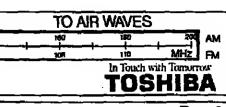
So this time I made sure my offering was shop bought and gift wrapped. But for some reason, she seemed

unimpressed. 'I nearly missed the plane getting you that' I protested loudly. 'If checking out of the Marriott hadn't been so fast, I would have?

Susannah gave me a hug. 'I'm not interested in perfume, silly. I'm just really happy you found the time to think of me.'

#### INTERNATIONAL HERALD TRIBUNE, MONDAY, OCTOBER 17, 1988 Sed Trsv Austract Ben N 1 B Pesnery Jc Pepsico Pessico Philip Morris Prudential E J Raynolds S E K Mar S E K Sep SBC Fin Sears Jul Sears Jul Sears Jul Sears Jul Transam Fin Ce Kerox Credit 101.25 19 750万元的使用分类的1500万元的1500万元,1500万元,1500万元的1500万元,1500万元的1500万元的1500万元,1500万元的1500万元,1500万元的1500万元 **Weekly International Bond Prices** Provided by Credit Suisse First Boston Securities, London, Tel.: 01 323 11 30 Prices may vary according to market conditions and other factors. **Dollar Straights** 99% 94.050 97% 97% 98% 100% 1 87% 1 97% 1 102% 1 161% 1 104% 1 116 1 106% 957% 957% 957% 102% 957% 102% 102% 102% 107% 91% 91% 9,41 9,21 9,38 9,42 9 71/2 8 0 81/2 9% 81/2 **DM Straights ECU Straights** 7244 10524 1 Scandinavia Can Met Price Met Yid New Zeolond New Ze 9814, 10270, 102 Denmark Expertifinans Expertifinan 101.925 | 101.925 | 101.925 | 101.925 | 101.925 | 101.925 | 101.925 | 101.925 | 101.925 | 101.925 | 101.925 | 101.925 | 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| 125 | 125 | 125 | 125 | 125 | 125 | 125 | 125 | 125 | 125 | 125 | 125 | 125 | 125 | 125 | 125 **BM Zero Coupons** 8.78 +102 9.04 +109 9.11 +62 8.43 +60 8.80 +54 9.73 +158 9.42 +65 9.42 +67 9.23 +67 9.23 +72 9.21 +68 9.24 +65 9.45 6.43 9.46 +125 9.46 +146 102% 101% 108 99% 100% 1111/2 105% 94 95% 97% 97% 97% Industración Dynam FSB Gv FSP E0 FSP U FSP U FINTX Gold NISci HIYId Indust Indust Indust Indust FOCH Select Tech est Eou r 92 133.50 n.n. 00 129.73 n.c. 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### Herald Eribune. BUSINESS/FINANCE



EUROBONDS

#### The Dollar Turns Down: **But How Far This Time?**

By CARL GEWIRTZ

ARIS -The dollar was on the move again last week, and with oo sign of central bank intervention, the question weighing on financial markets was how far it would fall before the banks stepped in and whether they would be able to halt the retreat.

In New York, the dollar ended the week at 1.8055 Dentsche marks, down 3.3 percent, and at 126.55 yen for a decline of 5.4

For many analysts, the decline was long overdue and brings the dollar into a trading range that central banks should find more comfortable and more compatible with the still large U.S. trade

"I always felt the Bundesbank wanted a range of 1.80 to 1.90 to the dollar," a Frankfurt dealer The momentum of

the decline took

some analysts

by surprise.

said. A Tokyo dealer said that "a range of 125 to 135 yea is quite comfortable for the U.S. and Japanese authorities."

ECT Straight

Yen Mraigh

quities Trading

Chartists were a bit more cantions. "From a technical perspective, the dollar's slide isn't over yet," said Steven Blitz at Salomon Brothers Inc.

in New York. He sees the dollar edging further down to 125 yen and to at least 1.78 DM, possibly 1.75 DM.

"A break below those levels — 125 yen and 1.75 DM — would

turn this market from a technical retracement of the dollar's gain this year to a market that would likely see the dollar return to its historic low against these currencies.

"Given the oversold level of the dollar," added Mr. Blitz, "my feeling is that the dollar is not going to break through those critical levels."

The dollar's slide began in earnest after Satoshi Sumita, gover oor of the Bank of Japan, the central bank, commented on the market's new bearish sentiment for the dollar. At the time, the dollar was trading at around 131 yen. It subsequently weakened further as Japanese institutional investors, who reportedly were big buyers of dollar securities over the summer months, rushed to cover their currency exposure by selling dollars.

BUT RICHARD KOO, an economist for Nomura Research, noted that the dollar had begun to ease prior to Mr. Sumita's remark. "The initial trigger was the decline in the price of oil. When oil falls, you can expect the dollar to fall." He said there was no exidence of declines since there was said there was no evidence of dumping of dollars since there was no sell-off on the New York stock or bond markets. Nevertheless, analysts said they were surprised by the momen-

tem of the dollar's very rapid slide. Mr. Koo said that the foreign exchange market had now entered a chicken-or-egg phase, where potential buyers of dollars hold back waiting to see at what level the rate stabilizes while stabilizing the rate becomes more difficult if there are no buyers.

This standoff can only be exacerbated by the latest economic data coming out of the United States. Flat industrial production last mooth coupled with a 0.4 percent decline in retail sales, evidence of unwanted inventory accumulation in the auto indus-try and the previous week's weaker-than-expected rise in employment, signal little likelihood that U.S. interest rates will be

increased between now and year-end.

This is good news for the U.S. bond market, but not such good oews for foreign, particularly Japanese investors, whose gains on nising bond prices are likely to be wiped out by currency losses. declining interest fates, making the dollar a less attractive vehicle

for foreign investors. For dollar-based investors, the bond market's prospects are bright. Indeed, though the new-issue calendar in the Eurobond market remained relatively light last week, Liberty Mutual Capital and Mercedes-Benz had no problem finding investors. Both raised \$150 million. Liberty Mutual's five-year notes were priced at 43 basis points, nearly half a percentage point above comparably dated U.S. government paper, and ended the week yielding 37 basis points over the benchmark level.

Mercedes was also well received; launched at 35 basis points over the benchmark yield, the four-year notes ended the week trading at 28 basis points over U.S. Treasuries.

Swedish Export Credit's \$100 million issue fared less well, as two-year notes offer less potential capital gain if rates decline and the initial pricing, at 40 basis points over the benchmark level, was considered a bit stingy.

Probably the best measure of continuing interest in dollar securities was the international placement of 5.1 million shares of the Luxembourg-based holding company Safra Republic Holdings. The shares were priced a week earlier than had been expected thanks to the heavy demand, which exceeded \$1 billion, lead manager Shearson Lehman Brothers reported.

The shares, which had been indicated at a price of \$53.50 to \$57.50, were offered at \$57. This will give the public a 17.4 See BONDS, Page 12

### **Asian Car** Industry Is Sought

**ASEAN Ministers** To Hold Talks

PATTAYA, Thailand - Noncommunist Southeast Asia will try to make concrete moves toward creating a regional anto industry, at a conference of economic ministers to be held here this week, senior officials said over the weekend.

The idea is to make auto parts produced in the countries interchangeable, said Bajr Israsena, permanent secretary of the Thai Commerce Ministry.

Economic ministers of the Association of Southeast Asian Nations. or ASEAN, are to meet at this beach resort Monday through

Building an automobile industry is seen as a crucial hurdle on the path to iodustrialization for ASEAN, which groups Brunei, In-donesia, Malaysia, the Philippines, Singapore and Thailand.

The brand of the anto parts would be Mitsubishi of Japan, which is already involved in ven-tures in Thailand, Malaysia and the Philippines.

These three countries would make different parts for Mitsubishi. Officials said that this would be a first step in regional anto cooper-ation, adding that ASEAN is not et ready to work together in producing a whole car,

Thailand joined Malaysia in the world car market in January, when the Thai-assembled Mitsubishi Lancer compact, being sold in North America by Chrylser Corp., were shipped to Canada.

MMC Sittipol, the Thai manufacturer, reportedly hopes to sell 100,000 cars in Canada over the next six years.

Malaysia is having trouble keep-ing up sales volume for its Proton Saga cars and would benefit from larger economies of scale, with tariffs slashed for imports and sales within ASEAN, Mr. Bajr said.

The Philippines is expected to export nearly \$15 million worth of car parts this year; the amount is expected to rise to \$24 million in 1989.

ASEAN sources said Indonesia which wants to push its own carparts industry, was blocking a memorandum that would bind Thailand, Malaysia and the Philippines in a complementation program.

The matter was discussed at meetings of senior officials Friday and Saturday, which paved the way for the ASEAN economic ministers' meeting, the 20th since the regional organization was founded in 1967.

#### ■ China Sales Assessed

Lee A. Jacocca, chairman of Chrysler Corp., predicted in Beijing that China would soon break into the world car market, Reuters

reported.
"In the near future the Chinese auto industry will be selling overseas. I want to see Chrysler be part of that too," Mr. Iacocca told Chinese business people in a lecture. But he said that China had to improve quality to compete.



Fokker is talking with United Airlines about the sale of 100 F-100, twin-engine passenger planes.

### Fokker Says United May Buy F-100s

the Dutch aircraft maker, is negon-ating to sell as many as 100 F-100

100 seats, with an option to buy enother 50 planes. But, he added, we expect them to make a decision at the beginning of next year, at the

The Amsterdam daily De Volkskrant reported Saturday that the potential value of the deal is about 2.5 billion guilders (\$1.2 bil-

Fokker is also negotiating with other companies, the spokesman said, but the possible sale to United is the company's largest current prospect. United is thought to want to put the new planes in service in the early 1990s, he added.

Disclosure of the talks with United comes at a crucial time for Fokker. It was reported Friday that In July, it was announced that nation aircraft group.

Takeover Set

Of 11 Ailing

Texas Thrifts

New York Times Service

DALLAS — The Federal Home Loan Bank Board has

agreed to its sixth billion-dol-

lar rescue of insolvent Texas

savings institutions this year.

Don A. Adam, agreed Friday to acquire 11 ailing savings in-

stitutions with an estimated

\$1.3 billion in aid to be provid-

ed over the next 10 years from

Insurance Corp., an agency of the bank board.

The agency, which insures deposits up to \$100,000 at U.S.

savings institutions, has oow pledged \$14.4 billion for merg-

ers involving 53 institutions in Texas since last May.

Overall, more than \$21 bil-

lion in aid has been committed to recapitalize 114 insolvent

thrifts in the industry this

M. Danny Wall, chairman of the bank board, has esti-mated the total cost of clean-

ing up the industry's troubled institutions at \$45 billion to

\$50 billion. Other estimates range as high as \$100 billion.

The Federal savings agency

retained partial ownership of

all the recapitalized institu-

tions and expects to share in

future profits.

vear.

A Texas cable entrepreneur,

AMSTERDAM — Fokker NV. a provisional deal with a British merchant bank to raise 300 million guilders of new capital through a rights issue is in jeopardy, unless twin-engined passenger planes to
United Airlines, a spokesman for
the Dutch company said Saturday.
He said Fokker is talking with
United about taking 50 of the
short-haul jets, which have at least

from the government after midday Wednesday, the spokesman said.

Company representatives are to meet the Dutch minister of eco-nomic affairs, Rudolf de Korte, to discuss the issue Toesday. The parliamentary Committee for Eco-nomic Affairs is then to meet with the minister on Wednesday morn-ing to hear his views and debate the matter, a government spokesman

Last month, it was announced that Fokker had finalized a deal with Wardair Canada Inc. to sup-ply up to 24 F-100 planes - there were firm orders for 16 planes and options on 8 others - with delivery set to start in late 1990.

ANNANDALE-ON-HUD-SON, New York — The Baker Plan

for sustained growth in debtor

countries is faltering, but no viable replacement for it has yet emerged,

according to Paul A. Volcker, the

former Federal Reserve Board

"The Baker Plan is obviously sputtering," Mr. Volcker said at a conference on debt on Saturday,

but most governments in Latin

America have not felt that they had

The current iniciative, intro-

duced three years ago by former

U.S. Treasury Secretary James A.

ing to help debtors pursue private

Mr. Volcker noted in his speech

that though Brazil was tempted to

break away from the Baker ap-

proach by temporarily suspending

interest payments to banks in February 1987, it found that it lost

more external financing than it

Mr. Voicker, currently chairman

of the investment firm James D.

Wolfensohn Corp., presented a se-

ries of three criteria on which to

judge the likely success of new debt

· He said he was suspicious if

the schemes iovolved large

amounts of public money or guar-

antees because the U.S. Congress has no will to undertake them.

· He expressed concern with so-

lutions that carried the risk of a

New proposals should encour-

"cascading writedown of debt."

saved by the moratorium.

sector investment and growth.

a better alternative course."

Braniff Inc. of the United States had ordered 12 of the F-100s. Fokker has more than 200 orders and options for the F-100, one of its two new models. The company's

opment and production problems related to the plane and the F-50, a ■ New Chief of Airbus Board The French and West German partners in Airbus Industrie have

financial troubles stem from devel-

agreed to appoint Hanns Arnt Vogel, management board chairman of Messerschmitt-Boelkow-Blohm GmbH, as the chairman of the consortium's supervisory board, according to the news magazine Spiegel. Reuters reported from

Mr. Vogel would succeed the Bavariao premier, Franz-Josef Strauss, who died Oct. 3. France and West Germany have 12 out of 17 seats on the supervisory board of Airbus, MBB is the parent company of Deutsche Airbus GmbH, the West German arm of the four-

Baker Plan Faltering, Says Volcker

Paul A. Volcker

age constructive economic policies

last five years, most Latin Ameri-

can countries had made more pro-

gress towards fundamental eco-

the post-World War II period.

nomic reform than at any time in

The 33-nation Latin American

and Caribbean foreign debt cow

totals more than \$420 billion, and

debt servicing absorbs more than 42 percent of the region's total ex-

In answer to questions, Mr. Volcker said that while he did not

wish to condone writedown of principal, international banks were

in a better financial shape now than

in 1982, when the debt crisis broke.

Senator Daniel Moynihan, Democrat of New York, told the confer-

ence that the next U.S. president

could use the surpluses in the So-

cial Security trust funds to retire

"A new president should use it to

debt and cut the federal deficit.

port carnings.

Baker 3d, advocated renewed lend-ing to help debtors pursue private gard, Mr. Volcker noted that in the

### EC Set to Back Aid to Finsider; **Opposition Seen**

BRUSSELS -- The European Commission will propose allowing Italy to grant substantial subsidies to save its loss-making state-owned steel company, Finsider SpA, EC sources said Sunday, in a move likely to anger other European steel

The commission, the executive body of the European Community, has been examining an Italian government plan to restructure the company. The body is expected to submit its proposals to a meeting of EC industry ministers next Friday. The community sources did oot

give details of the proposals, but said that the subsidy package would be tied to concessions by Italy over the restructuring plan. The commission would justify its

proposal on the grounds that a healthy Italian steel industry was in the community's overall interest. the sources said

However, they said that they expected protests from other EC members, such as West Germany, which have already pushed through painful restructuring programs for their industries.

EC rules do not allow operating and investment aid to the steel industry, and the commission's proposal that an exception be made for Finsider will require unanimous approval by ministers.

retire privately held debt, which would translate into an iocrease in

savings," Mr. Moynihan said, lo 1983, the Uoited States

changed the financing of social se-cority, establishing a reveoue

stream to save for the retirement of

the so-called Baby Boom genera-

Mr. Moynihan said that between

now and the year 2019, the surplus

going into the trust fund would

total \$3.23 trillion. Aiready, the

funds are rising at the rate of \$109

million a day, and that rate will reach \$1 billion a week by next

"Right oow this surplus is being

tions of up to \$4 billion. The Europeao Commission launched an investigation into suspected illegal state aid to the com-pany in May, before the Italian government put forward its re-structuring plan. The probe was extended after the state holding group said that it would guarantee

Siderurgica, is 99.5 percent owned by the Italian state holding group,

Istituto per la Recostruzione lo-

dustriale. Finsider recorded a loss

of 1.68 trillion lire (\$1.24 billion) last year and is heavily indebted.

Italy has proposed liquidating

Fiosider and transferring ils healthiest operations to a new oper-ating company called Ilva. The op-eration would require cash injec-

The commission had argued that it considered short-term lending to the ailing steel company by the Italian company to be illegal hidden subsidies aimed at covering opcrating losses.

all Finsider's debts.

lo spite of its huge debt burden and poor operating results. Finsider substantially increased its short-term borrowings early in 1988, the commission said in May. It ooted that in normal circumstances, a company in Finsider's position would be unable to obtaio such loans without state guaran-

Friday's meeting of industry ministers in Athens is informal and no final decisions on the Finsider plan are expected.

As part of the restructuring effort, Finsider announced in August that it was putting up five steel plants for auction and asked its parent to find buyers for a steelproducts subsidiary.

#### Klöckner Pins Blame On Others

DUISBURG, West Germany -Losses sustained by Klöckner & Co. from forward contracts in or were largely due to defaults by other oil traders, according to the chairman of the company's supervisory board, who said the losses may be less than originally feared.

that is with a surplus of \$52 hillion in Social Security funds. "A \$200 billion deficit is structural oow. Earlier, Mr. Moynihan said that the deficit takes 24 percent of the revenue from personal income taxes to pay the debt service of the

money borrowed in the 1980s.

Debt service is oow larger than the deficit and growing, he said. About \$20 billion of the interest

The problem facing the oext

president is that a debtor nation does oot have its way in the world." The United States has to keep

borrowing abroad and that requires substantial cooperation from other countries, especially Ja-pan, said Mr. Moynihan.

The net investment rate, or inestment minus depreciation, in the 1970s was about 9 percent of oet national product, but it dropped in the 1980s to about 6 perceot. But since the United States is running a current-account

used to disguise the deficit," said Mr. Moynihan, who is running for re-election. "This year's deficit is \$163 billion," be pointed out, and Peter Ludwig told reporters after a six-hour extraordinary meeting Saturday that a large part of the losses occurred because "certain partners in the crude oil business

could not punctually honor their payment obligations." He gave no Mr. Ludwig added that a smaller portion of the losses came from Klöckner's own-account trading and the extent of these losses was dependent on future oil prices.

These risks are under control." Mr. Ludwig said of the losses sus-tained from internal trading, adding that those losses would burden the company less than was original-

He declined to give details of the group's oil forward contracts or discuss consequences arising from

Mr. Ludwig said the supervisory board had "well-founded hopes" that the trading group's losses from oil dealing would be lower than the 600 millioo Deutsche marks (\$332.3 million) to 700 million DM

originally feared. Klöckner first revealed its potential losses last Wednesday.

### **Currency Rates**

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#### Last Week's Markets All figures are as of close of trading Friday

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	Stock Indexes	:	Money Rates		tered."
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and terms to	DJ Indus. 2/33.18	2.150.25 0.79%	Discount rate 61/2	62	ic planners, who are pessimistic be-
, <b>1</b>	DJ UHIL 180.50	187.07 2.12%	Federal funds rate -: \$1/16	B 13/16	cause of last spring's turbulent la-
	DJ Trans. 916.57	929,06 — 1,34 %	Prime rote 70.00	10.00	bor disputes, the country's current-
34-47	5 & P 100 259.40	261.74 — 0.82 %	Jepan .		account surplus for 1988 now looks
and the second s	S & P 500 275.50	272.07 0.92%	Discount 25/2	21/2	like it will exceed \$11 billion, com-
et e	\$& P Ind 31670	319.17 —0.77% 153.57 +1.23%	Call money 3 15/76	4 5/16	pared with a record \$9.8 billion last
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14 AT 15 TO	<u>819058</u> FTSE 100 1,840,60	1,84470 0,22%	West Germany	:	\$7 billion.
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### Korean Trade Surplus Pushes Won Higher

SEOUL - The soaring South Korean trade surplus is forcing a daily revaluation of its currency, and a central bank official said the psychologically important barrier of 700 won to the dollar could be broken soon.

A Finance Ministry official, who asked not to be named, said over the weekend that due to betterthan-expected current account figures this year, the government would continue the steady increase in the value of the won.

"A country's economic capacity should be reflected in its currency," said the official. The Bank of Korea has raised the

won every day for the past week. The dollar, worth about 716 won a week ago, fixed on Saturday at 708.3 won, which was the highest value for the South Korean currency since Feb. 2, 1982.

The won has risen 11.8 percent against the dollar so far this year, compared with 8.72 percent for all of 1987.

With the dollar's recent falls on international markets and our growing surplus, a higher won is inevitable," a senior central bank official said. "It is only a matter of time before the 700 barrier is shat-

\$9.6 billion, up from \$7.6 billion in The bank official said that, after

the won's substantial appreciation this year, the country would be less vulnerable to criticism for operating an undervalued currency. Depoty Prime Minister Rha

Woong Bae, Seoul's chief economic planner, told ministers and ruling party officials on Friday that the won must be adjusted to reflect "its Businessmen in South Korea

fear the appreciation of the currency will be further accelerated in the months to come. "Exporters will suffer tremendously from the continued rise," an

official with the Korea Foreign Trade Association said. He said that coupled with increased wages, the projected sharp appreciation of the won would erode competitiveness of their

goods in foreign markets. Exporters also argue that government efforts to reduce Seoul's randa to promote direct trade

consumer goods.

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surplus with Washington can have only a limited effect until U.S. goods become more attractive pur-

■ Soviet Trade Ties Set The Soviet Union hopes to ex-

change trade missions with South Korea soon to foster direct trade between the two countries, according to a senior Soviet trade official, Renters reported from Seoul.

Vladmir Golanov, vice chairman of the Soviet Chamber of Trade and Industry, told reporters as be left Seoul on Sunday that the two countries had agreed to seek economic cooperation.

"We agreed that a resident trade mission should be set up soon to realize economic cooperation," said Mr. Golanov, winding up a six-day visit at the invitation of the Korea Trade Promotion Corp.

The Soviet Union and South Korea on Saturday exchanged memo

#### Estimates Rise Agence France-Presse

and Financial Forecasting for Business Growth, known as IPECODE, said Saturday the revisions were due to the burst in business activity in early summer; the effects of lower oil prices, and a recovery in the dollar expected in 1989. Last month, the government

### French Growth

PARIS - A French research institute has revised its forecast for growth in the French economy, raising it to 3.8 percent in real terms this year from 3.1 percent, and to 3.1 percent in 1989, from 2 The Institute for Economic

raised its forecast for growth in 1989 to 2.6 percent, from 1.9 percent.

#### deficit of up to 4 percent, real domestically owned investment has declined to only 2 percent of net national product.

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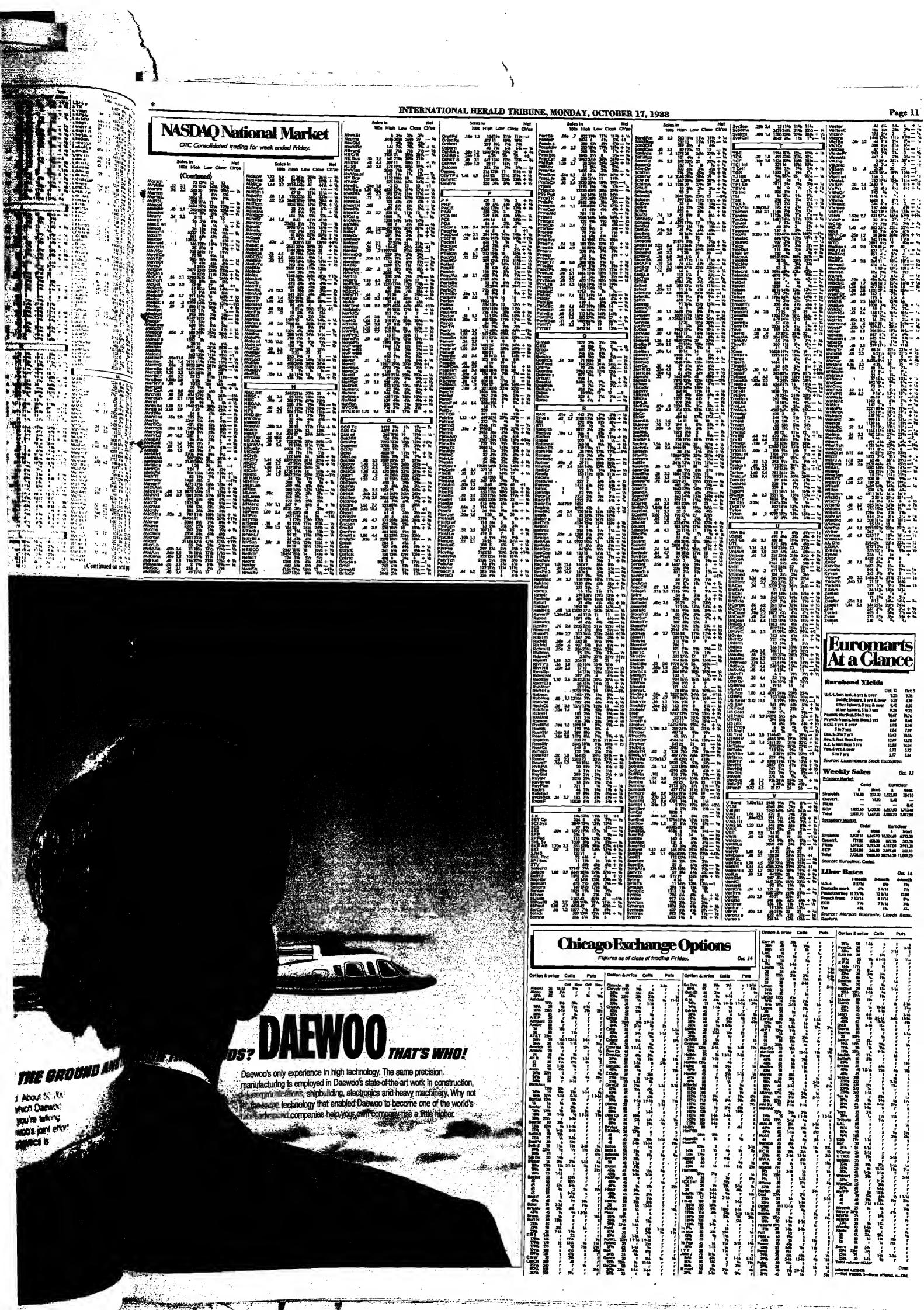
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At Daewoo the level of high technology is very high indeed. About 50,000 feet if you consider the cruising altitude of the jet fighter for which Daewoo the critical center section. And not that much lower if you're talking iuselage work Daewoo has done on 747s and Daewoo's joint effort



tory anthorities and, in any event

A spokesman for the Commis-

sion Bancaire was also noncommi-

tal. She refused to say directly that

the funds are considered Tier 1

money, but noted that the Credit

Lyonnais issue was virtually identi-

cal to the non-cumulative preferred

shares that U.S. banks count as

It is generally believed that the

sified as Tier 1, but competitors of

the bank and Merrill Lynch are

desperate to identify the purchas-

ers of the notes in order to see the

documents that spell out under

what conditions interest payments

i capital the bank must be able to

skip payment of interest without any obligation to make it up at a

later date, and with notcholders

having no recourse to sue for the

Is the wording in the Crédit Ly-

onnais documents that stringent?

No one who knows is willing to

disclose the details. On the other

hand, why would Credit Lyonnais,

which has a triple-A rating pay

investors 1.05. percentage points

rate when it could issue subordinat-

fraction of that cost, unless the high

losing their interest?

ed debt in the Euromarket at a

market.

Tier i capital.

### Questions Remain on Issue by Crédit Lyonnais

By Carl Gewirtz

al Herald Tribune PARIS - Of all the financings in the international bond and credit markets last week, one by Credit Lyonnais stands out as the most interesting, although the details on it are sketchy.

A public announcement from the state-owned bank said it had issued \$350 million of subordinated perpetual capital notes on which interest payments could be suspended. If interest is not paid on a regular basis, it does not accumn-

ferings from Japanese issuers drew

Despite the dollar's weakness,

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bank said, "these notes are in a category closest to equity."

The transaction is significant because it permits the French bank to diversify its capital base into a currency other than the franc. This ing its capital without having to ask move will help limit the disruptive its shareholders for additional impact floating exchange rates can have on the bank's measures of capital adequacy.

Loans extended in dollars in francs, ate up almost twice as much capital in 1985, when the dollar was be paid for the first 15 years anyway, is 1.05 percentage point over changes in exchange rates will be matched by value changes in its matched by value changes in its la developed by Merrill Lynch, which arranged the issue.

**BONDS:** The Dollar Turns Down (Continued from first finance page) avoid the interest withholding tax percent stake in the holding com-pany. Republic New York will hold appear to be the only ones buying mark Eurobonds. The four issued

49 percent and Edmond J. Safra, principal shareholder of Republic last week all ended trading outside the fees paid to underwriters. New York, will hold the remainder. The Euroguilder market, with By contrast, the equity-linked ofhigher yields and a currency closely tied to the mark, is considered a only lukewarm support, with only Bridgestone and Kobe Steel ending better attraction than the mark; and the European Currency Unit, the week trading above the offer with still higher interest rates, continues to attract investors from

there was no evidence of a run into The World Bank tapped both the marks or yen. Frankfurt dealers said their market had a good tone guilder sector and opened the and that turnover was increasing. Swedish krona market. With a cou-Foreign investors buying marks pon of 10% percent, the krona continue to prefer either the short-bonds join the Canadian, Austraterm deposit market or purchases lian and New Zealand dollar secof more liquid domestic paper.

Domestic investors, seeking to pealing to retail investors.

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Wall Street Review

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Credit Lyonnais, using a formula of funds was a question for regulaintroduced by state-owned Rhône-Poulenc a few months ago, succeeds through the issue in increas- in the bank's decision to tap the

Also noteworthy is the fact that

INTERNATIONAL CREDIT money and without watering down 1981, when the dollar was worth 5.4 the government's 100 percent ownership.

But, as was the case with Rhôneworth more than 10 francs. With Poulenc, the structure of the transcounting procedures that are Credit Lyonnais funds will be clas-

> There are equally controversial regulatory questions, which focus on whether the \$260 million Crédit

Lyonnais would receive is contained it all or supplementary capital.

Bank regulators from 12 leading having the proceeds considered as core capital. In principle, analysts core capital in principle, analysts to qualify as Tier industrialized countries, working under the aegis of the Bank for International Settlements, last year established standards for measuring banks' capital and establishing how much capital they need rela-tive to the types of business they engage in. The regulators estab-lished a standard ratio of capital to risk-weighted assets of 7¼ percent by 1990, and 8 percent by 1992.

François Gille, treasurer of Crédit Lyonnais, said the bank al-ready meets the 8 percent target with core capital of 28.7 billion francs (\$4.61 billion). The proceeds of the perpetual notes would raise over the London interbank offered the total to just over 30 billion

broken into two tiers, and core capital (so-called Tier 1) must constitute at least 50 percent of overall Although the press release from British analysts say could cause Credit Lyonnais implied that the regulators in other countries to ob-

Under the BIS rules, capital is

One aspect of the issue that some proceeds from its issue would ject to Tier I status for the funds is count as core capital, bank officials the haziness on whether the Credit refused to make any statement as Lyonnais notes are actually perpetas core or supplementary capital.

Mr. Gille said the classification petual in form, but 15-year in sub-

Like Rhone-Poulenc, which sold "was not the determining element" \$1.2 billion in perpetual notes, Credit Lyonnais has sold to Merrill Lynch \$350 million of perpetual notes on which interest will be paid for only 15 years. In exchar Credit Lyonnais received only about \$260 million in cash.

> Merrill Lynch will use the \$90 million difference to create an offshore trust that will buy 15-year, zero-coupon U.S. government bonds whose redemption value will equal \$350 million. The perpetual noteholders can exchange their paper for the cash in the trust at the end of 15 years, when the bank's formal requirement to pay interest ceases. The trust forever after holds the notes, which are then worthless since they no longer pay interest.

The question of form over substance goes to the heart of the dispute on accounting procedures for

The \$90 million Merrill Lynch will use to create the trust will never be seen by Crédit Lyonnais, which will treat that sum as prepaid interest. Since interest payments are tax deductible, Credit Lyomais will get to deduct the entire cost of the transaction. In effect, by allowing the tax deduction, the government is subscribing to the capital in-crease but only at a fraction of the cost — \$90 million in reduced tax revenue compared with \$350 mil-lion in real cash.

Reliable sources reported that outside anditors concur with the view that the \$90 million, under French accounting rules, can qualify as prepaid interest.

In other countries, that is not the case. British analysts report that in Britain the \$90 million discount could only be counted as prepaid interest if the securities were redeemable. That leads back to the question of whether Crédit Lyonto whether the funds would count ual or only for 15-year issue.

as core or supplementary capital.

Critics say that the notes are per
or 15-year floating-rate notes. nais has issued perpetual securities

### **Prices Decline in Volatile Trading**

NEW YORK - The eroding value of the dollar against key for-eign currencies and a surge in oil prices Friday pushed bond prices

down last week in volatile trading.
"It's a pingpoug market," said
Lawrence Morris, a vice president of the bond department at Butcher added. & Singer Inc. "We've seen the mar-

ket up and down a point."
The Treasury's beliwether 9% percent bond, which matures in 2018, fell to 102 12/32, from 103 9/32 the previous Friday, while its yield — which moves inversely to the price - rose to 8.90 percent from 8.81 percent.

On Friday, economic reports for September showed an 0.4 percent rise in producer prices, an 0.4 percent decline in retail sales and an industrial production rate that was unchanged

The reports were "all pretty favorable to the market," Mr. Morris said. But the market took a downturn on a surge in oil prices and a

#### U.S. CREDIT MARKETS

further weakening of the dollar, he

Oil prices surged Friday on rumors that key members of the Organization of Petroleum Exporting Countries would forge an agreement over the weekend to cut crude output by about 2 million barrels a

On the New York Mercantile Exchange, West Texas Intermediate, the benchmark U.S. crude, for previous week. immediate delivery, soared 71 cents to \$14.92 a barrel.

The dollar finished the week lower in New York, ending at 126.55 yea and 1.8055 Deutsche marks.

The bond market's volatility indicates a lack of commitment to the market, Mr. Morris said.

#### ■ Mortgage Rates Decline

U.S. interest rates on 30-year, fixed-rate mortgages fell to the lowest level in five months last week, according to a weekly survey, the Associated press reported from Washington.

The Federal Home Loan Mortgage Corp., a government-chartered corporation owned by savings institutions and known as Freddie Mac, said fixed-rate mortgages averaged 10.33 percent last week, down from 10.38 percent the

That was the lowest since rates averaged 10.32 percent in the week that ended May 6. The averages do not include add-on fees known as

Fixed-rate mortgages hit a high or the year of 10.71 percent in the week ended Aug. 19. That was the moderate gains overall. The ANP-week after the Federal Reserve CBS index closed Friday at 279.8, Board raised the discount rate, charged on loans to banking institutions, to 6.5 percent from 6 percent in an effort to cool economic growth that it believed was leading to accelerating inflation.

However, since then the Fed has not found it necessary to further restrict the availability of credit be- continue to rise. cause a number of signs of economic slowing have emerged, including declines in retail sales, lackluster growth in industrial production and less robust employment

Mortgage rates have been declin-ing recently in tandem with rates

on long-term bonds. However, short-term interest rates have eased only slightly. Freddie Mac said that rates on the most popular type of one-year, adjustable-rate mortgages, those with caps on how high the interest can go, averaged 8.11 percent last week, down slightly from the peak of 8.16 percent six weeks ago.

Adjustable rates this year have averaged as low or 7.40 percent in

everaged as low as 7.49 percent in March, while fixed rates dipped to 9.84 percent in February, their lowest point since the stock market

U.S. Consumer	Rates
	Oa. 14
Tax Exempt Bonds Bond Suyer 20-Bond Index	7.52%
Money Market Funds Donophue's 7-Day Average	7.75 %
Bank Money Market Accounts Bank Rate MagNor Jadex	605%
Home Merigoge, FHLS gverage	10.41%
Source : New York Times.	

## Hong Kong Share prices continued to surge last week. The Hang Seng Index closed Friday at 2,593.00, up 114.13 on the week, while the broader-based Hong Kong Index reached 1,690.64, up 58.32 points. Average daily volume was a

Average daily volume was a healthy 862 million Hong Kong

employment figures and decisions by foreign fund managers to move Stock prices had a hesitant start investments ont of the sickly Taiwan exchange continued through the week.

New International Bond Issues

Compiled by G. Jennifer Shapiro

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1993 10% 101½ 99.80 Noncollable. Fees 1%% (Scotia McLaod.)

NZ\$ 60 1991 14 101% 100.50 Noncollable, Fees 192%. (Fay, Richwhite U.K.)

1991 14% 101% 100.00 Nancolloble, Fees 1%%, (Credit Suisse First Boston.)

\$150 1993 91/4 101.70 100.30 Noncollable. Fees 176%. (Merrill tyrich Copiesi Markets.)

Interest will be pegged to 6-month Libor. Collable of par

Yield 8.81%. Noncollable. Proceeds \$55 milion. Feet 119%

Noncollable, Fees 29/%, (Schweizerische Bankgesellschaft )

Noncollable, Fees 29%, Denominations £10,000. (Warburg

Noncollable. Each 10,000-guilder nate with 28 two-year warrants excercisable into \$500 at a fixed exchange rate of 1.85 marks per dollar. Fees 2%. [Algemene Bank Nederland]

61.20 Yield 10.30%, Noncollable. Proceeds C\$46 million. Feet

Redeemobile and collable in 1991, Redemption amount then and at maturity will be linked to the level of the Nikkei 225 stock index. Fees 1 14%. Denominations 100 million year. (RLI

Collable and redemnable at par in 1993. Convertible at NZ\$5.40 per share, a 14% premium, and at \$62.60 per New Zealand dollar. Fees 29%. (CSFB.)

into company's shares at 97.93 year per share and at 132.75 year per dollar. Fees 214%. (Yamaichi Int'i Europe.)

Coupan indicated at 250%, Noncollable, Each 5,000-mark

note with one warrant exercisable into company's shares of an expected 29% premions, Fees 24%, Terms to be set Oct. 18. (Deutsche Book.)

Coupan indicated or 214%, Noncollable, Each 5,000-mark.

one with one worrors enerceable into company's shares of an expected 25% premium, Fees 26%, Terms to be set Oct.

18. (Nomura Europe.)

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ELTA .

Det.

F-4

103.75 Nancolloide, 6ach \$5,000 note with one warrand exercisoble into company's shares of 1,302 year per share and at 132.20 year per dollar. Fees 29/%, (Nanturo Int'L)

106.50 Noncollable. Each \$5,000 note with one warrant excressible into company's shares at 636 year per share and at 132.20 year per dollar. Fees 24%. (Nontina Int'L)

97,50 Noncoliable. Each \$5,000 note with one worrant exercisable into company's shares at 1,446 year per share and at 128.85 year per dollar, Fees 216%, (Nidos Securities Europe.)

97.50 Noncollable. Each \$5,000 note with one warrant ext

101% 100.25 Noncollable. Fees 1%%, (Deutsche Bank Capital Markett.)

99.88 Noncollable. Fees 11/9/L (Nikko Securites Europe)

98.25 Noncollable. Fees 24%. (Dresdner Bank.)

97.70 Nancallable, Fees 2%, (Commerzbank.)

98,90 Noncollable, Fees 21/%. (Commerzbank.)

Noncolloble, Fees 2% (ABN.)

1992 71/2 1011/2 100.08 Nancollable. Fem 11/1%, [Sanque Paribas Capital Markets.]

1993 101/2 1011/6 101.08 Nancallable. Fees 11/1/4. (Skandinaviska Enskilda Banken.)

1994 71/2 101% 99.98 Noncollable. Fees 1 1/1%. (Margan Stanley Int'l.)

1995 7% 101% 99.98 Noncollable, Fees 1%%, (Swiss Bank Corp. Int'L)

Mat. Coup. Price

\$100 1995 zero 55.36

1990 8%

2014 11

1993 1/2

1998 61/4 101

1993 zero

\$100 1992 5

DM 100 1993 open 100

DF 150

DF 300

1998 6% 101%

rn, 125,000 1996 liber

\$150 1992 9

FLOATING RATE NOTES

FIXED-COUPON

Eksportfinons

Liberty Mutual

**ADT Finance** 

Mercedes Benz Credit

Swedish Export Credit

Arab Banking Corp.

Australian Industry

Development Corp.

Finnish Export Credit

Toyota Motor Credit

European Investment

Export Development

Parbel Int'l Finance

Quebec Province

Saskatchewan

Teleset Canada

Security Pocific

Toronto-Dominion

EQUITY-LINKED

Fletcher Challenge

Financial Services

Korokuen

Industry

Sokoi Chemical

Hokuriku Electric

Amsterdam

for the previous week.

Frankfurt

of the dollar.

the previous week.

deficit for August and the decline

Friday at 1,602.2, up 20 points

(\$384.13 million) in the oil futures

market did not have adverse effects

The Commerzbank index closed

Province

Halifax Building

Society

World Bank

Согр.

World Bank

Capital

#### up from 276.1 points from a week London

WORLD STOCKS IN REVIEW / Via Agence France-Presse

earlier.
Volume for the week was 3 billion guilders, up from 2,5 billion The stock market was overshadowed in the early part of last week by the wait for U.S. trade figures on Thursday and the British retail In the light of the strong close on price index on Friday. Prices fin-ished the week mixed. Friday, the brokerage Kempen &

Co. predicted the market would-The Financial Times industrial index gained 3.6 points to 1,494.0, while the FT 100-share index ended at 1,840.6, down 4.1 points for the

Trading was heavy last week and prices rose, despite publication of a larger-than-expected U.S. trade There was heavy trading in Lourho shares during the week, as traders speculated on whether the Australian financier Alan Bond would increase his holding in the

stake in its subsidiary, Vodaphone.

from the previous week. Volume on the eight West German stock ex-changes was heavy, rising to 22.76 billion DM from 14.40 billion DM Gold mining shares edged lower over the week, while government Traders said the announcement by Klöckner & Co. that it had lost about 700 million Deutsche marks bonds were also weaker.

#### Milan

Stocks ended higher, registering gains for the sixth straight week.

The Comit index ended at 568.82, up from 558.35 the previous Friday. Volume was slightly lower, with a daily average of around 240 billion lire, or 58 million shares, compared with about 270 billion live or 60 million shares, the mexical straight of the straight of lire, or 60 million shares, the previ-

Analysts said abolition of secret on moderate volume.

#### Paris

Prices fell slightly for the week, ai 301.1 compared with 382.6 the previous

Analysts said the market was hurt by profit-taking, which they said was normal after the recent climb in prices, downward pressure on the franc and a wave of publicsector strikes, which may spill over into the private sector and damage business profitability.

#### Singapore

The market finished in an uncertain mood, with the Straits Times industrial index plunging below the key 1,000-point support level.

The index ended last week at 994.57, down 8.70 points from the previous week. Volume remained Racal lost ground after announcing details of flotation of its 20% million units. The daily average the stake in its subsidiary, Vodaphone.

#### Tokyo

Share prices had an uneven week, but the market closed with modest gains despite worries about

The Nikkei average rose 48.30 points from the previous week to close at 27,306.57 on Friday. The Tokyo Stock Price Index advanced 22.79 points, to 2,124.74

#### Zurich

The market was quiet last week

dollars.

The market reversed weeks of losses on Monday. Traders said reasons for the turnaround were numerous, including healthy U.S.

That all the market appears and aboution of secret voting on a major part of parliar to form and the common of secret voting on a major part of parliar to form and the common of secret voting on a major part of parliar to form and the common of secret voting on a major part of parliar to form and the common of secret voting on a major part of parliar to form and the common of secret voting on a major part of parliar to form and the common of secret voting on a major part of parliar to form and the common of secret voting on a major part of parliar to form and the common of secret voting on a major part of parliar to form and the common of secret voting on a major part of parliar to form and the common of secret voting on a major part of parliar to form and the common of secret voting on a major part of parliar to form and the common of secret voting on a major part of parliar to form and the common of secret voting on a major part of parliar to form and the common of secret voting on a major part of parliar to form and the common of secret voting on a major part of parliar to form and the common of secret voting on a major part of parliar to form and the common of secret voting on a major part of parliar to form and the common of secret voting on a major part of parliar to form and the common of secret voting on a major part of parliar to form and the common of secret voting on a major part of parliar to form and the common of secret voting on a major part of parliar to form and the common of secret voting on a major part of parliar to form and the common of secret voting on a major part of parliar to form and the common of secret voting on a major part of parliar to form and the common of secret voting on a major part of parliar to form and the common of secret voting on a major part of parliar to form and the common of secret voting on the common of secret voting on the commo

#### Treasury Bonds

### PERSONAL INVESTING

INTHEIHTTHESECOND MONDAY OF EACH MONTH, EDITED FOR THE SOPHISTICATED INVESTOR — AN ESSENTIAL GUIDE TO OPPORTUNITIES AND PITFALLS --WORLDWIDE

### Taipei Fails to Curb Drop in Stock Prices

Compiled by Our Staff From Dispatches TAIPEI - Share prices on the Taiwan Stock Exchange plunged for the 14th consecutive day Saturday, as government measures to salvage the market failed to bolster prices but sharply increased the level of trading activity.

The weighted price index sank 177.19 points to 6,251.56. Volume shot up to 3.8 billion (\$131.35 million) Taiwan dollars, compared with 260 million Taiwan dollars on Friday. Only 10 issues advanced, while 130 stocks fell.

Share prices have tumbled by 28.8 percent since Sept. 24, when the government announced that a capital-gains tax would be reimposed on stock transactions.

Before the plunge began, daily volume used to average between 40 billion and 50 billion Taiwan dol-lars. Observers said the stock market was overheated then. The further drop in prices ocplayers to enter the market to prevent further declines. The Securities and Exchange

Commission said the maximum margin loans for buying shares with enhanced voting rights rose to
50 percent from 40 percent, and
similar loans for buying regular
stocks went to 40 percent from 30

The market of the government move on Saturday was too limited to have much effect on the the percent. The ministry's monetary department said the changes would stocks as collateral.

banks to buy shares from four mu-tual fund companies needing cash transactions to 0.15 percent from to pay redemptions demanded by 0.3 percent.

Small investors, and has advised The market's performance has leading industrial groups to reactivate the market with extensive buy-

told legislators Saturday that she tion

curred despite a Finance Ministry announcement Saturday about inside to ball out the market, but she creases in margin loan limits. It said she would not separate the asked institutions and large market capital-gams tax from the personal income tax, as demanded by share holders.

"We are optimistic that the move will help stabilize our stock mar-ket," Ms. Kuo said.

To end the fall in the stock index. the ministry in early October raised simplify ways for investors to post a ceiling on tax-free profits from stock sales to 10 million dollars a The ministry also asked state year from 3 million, and lowered

down of the largest petrochemical district in Taiwan, which is under Finance Minister Shirley Kuo siege by villagers protesting pollu-

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## France's Banking Blues

#### IN THE NEWS

Sept. 16: Minister Stresses Need for German Investment

During a meeting of the French-German Economic and Financial Council in Frank-furt. Finance Minister Pierre Beregovoy bid France must be more willing to accept West German investment. Discussions centered on ways to recycle the German trade surpluses. Mr. Beregovoy, a critic of West German monetary policy, said the current level of the French france against the



Pierre Bérégovoy

#### Sept. 21: Budget Projects Reduction in Deficit

The 1989 budget law brings the deficit from 115 billion francs to 100 billion francs and reduces household and company taxes by 15 billion francs. Tax rates to companies reinvesting profits will be reduced from 42 to 39 percent. Spending is to rise by the 4.7 percent, with increased allocations to education, employment, research and culture. As a percentage of GNP, the budget defi-cit is expected to be brought down to 2.1 per-cent this year and 1.7 percent in 1989. Economic growth in 1989 is expected to reach 2.6 percent, higher than previous official predictions of 1.9 percent.

#### Sept. 23: Trade Deficit Reaches Peak Level

The foreign trade deficit in August reaches 9 billion francs, the highest level since January 1983. A strong push in imports, which rose from 85.8 billion francs in July to 97.7 billion francs in August, accounts for the results while converts counts. counts for the results, while exports remain

#### Sept. 29: France Proposes **Debt Relief Measures**

Addressing the UN General Assembly in New York, President François Mitterrand sketches out a formula for providing new liquidity for middle-income indebted nations. The aid would be in the form of a fund to gnarantee interest payments on any commercial loans converted to bonds.

#### Sept. 29: Policy Paper Outlines '92 Objectives

Prime Minister Michel Rocard's government publishes a major policy paper on ex-pansion in a pan-European direction. The paper, entitled "France, Europe, the 1989-92." Plan," says that French banks, insurance companies and stock markets need to move into a position where they can take advantage of the new competitive situation pre-sented by the Single European Act.

#### Sept. 30: Credit Card Fees **Provoke Government Ire**

The decision by the three largest French banks to increase annual charges for bank cards by between 11 and 26 percent provokes an indignant reaction from the Finance Ministry. The state-run Credit Lyonnsis and Banque Nationale de Paris bowed to government pressure and postponed the increases indefinitely pending "consulta-tions" with consumers, while Societé

#### IN THIS REPORT

Merger Trend

Even though they are latecomers, French companies are active seekers—and targets—of other concerns.

Market Activity Liberalization has opened the door to foreign

Venture Capital

The number of French companies engaged in venture capital activities has doubled since 1983.

Banking Dispute 15
France's three biggest banks locked horns with the Finance Ministry over a plan to increase the annual charges for bank cards.

### Banks Grapple Anew With Socialist Government

By John Phillips

ARIS - Relations between the banking profession and the Socialist government en-tered a delicate phase this tered a delicate phase this fall after Budget Minister Michel Charasse sharply criticized bankers who, he said, "want to take our money and stop us from using it."

Mr. Charasse's remarks, televised live to millions of viewers, marked the worst point in a bitter dispute that crupted when the big three commercial banks, Banque Nationale de Paris, Crédit Lyonnais and Societé Générale, announced that they intended to increase their credit card charges.

ernment evidently wooing voters faced with fall local elections, the state-run Crédit Lyonnais and BNP backed down and postponed the in-creases indefinitely pending "consul-tations" with consumers.

Only Societé Générale persisted ith moderate increases, a measure of the independence it obtained after privatization as part of former Prime Minister Jacques Chirac's denation-

dization program. Mr. Charasse's approach earned him the sobriquet "Falstaff in the office of Colbert" from the leftist magazine Le Nouvel Observateur.
The normally reserved Finance
Minister Pierre Bérégovoy also

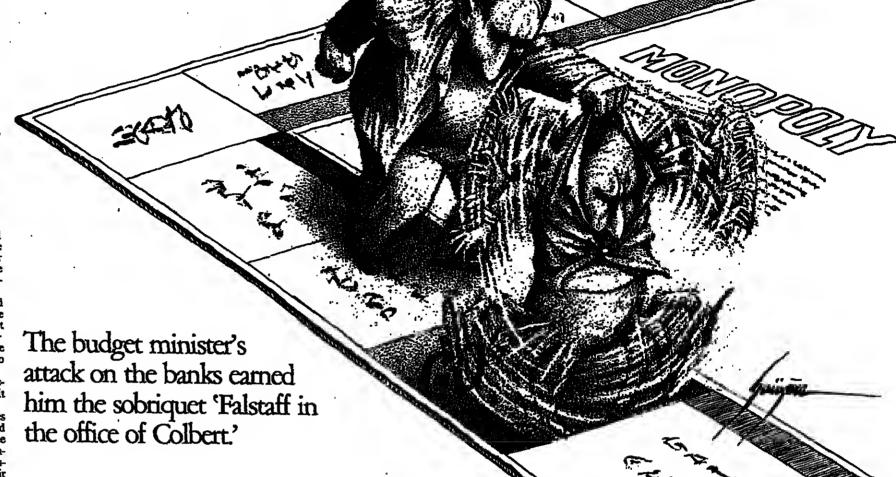
stepped into the fray.
The banks took concerted action," he said. "I am well informed. It is contrary to competition laws."

There were undignified scenes when government inspectors visited the headquarters of the big three banks and two credit card companies, hanling away kilos of docu-ments to scan for evidence of unfair

The French Association of Banks, in an angry statement, said: "Whipping a profession that certainly has problems but whose successes are the envy of foreign competitors is a curi-ous way to prepare for the arrival of [a single European market in] 1992."

The association blamed the media

for "hour after hour" depicting bank-ers as "villains." It cited a consumer survey showing that 90 percent of the French are satisfied with their banks. .The acrimonious bickering over credit card charges and banks' rela-



ons with their customers underlined the challenges faced by the banks in their relations with the government over the coming months, financial

As if the losses they suffered on the Matif imancial futures market during and after the stock exchange crash were not enough, they now find themselves in limbo after the Socialists rejected plans for further privati-

use, or by gradually chinting the gov-enment's holding to a minimum of The banks have let it be known that they have put their old window-

haps by developing the nonvoting certificates of investment already in

Market experts believe that the ability of the large French banks to raise fresh capital will be severely restricted unless some form of backdoor privatization is introduced, perdressing activities behind them and that they expect no difficulties in meeting the 8 percent capital to assets ratio proposed by the Cooke Committee at Basel.

But the hiatus in the privatization program could limit the big banks' potential to expand further in the pan-European direction that Prime Minister Michel Rocard's government, in a major policy document published Sept. 29, indicated it wants

The paper, entitled "France, En-rope, the 1989-92 Plan," says that French banks, insurance companies and stock markets need to move into a position where they can take advantage of the new competitive situation presented by the Single European

But a recent study of the top six French banks' capital ratio by Morgan Stanley Co. estimates that at the end of 1987 the six had Cooke Capi-tal ratios ranging from 8.8 percent to as low as 7.3 percent — not much in

the way of a cushion. One revealing study by IBCA Banking Analysis Limited observes that French banks are including 100 percent of their generous sovereign

Continued on page 14

Sæking Foreign Capital

### Firms Export Stock To Broaden Base

By Madlyn Resener

ARIS — French companies are exporting a new product to the United States these days — their own stock.
Through the use of American Depositary Receipts (ADRs), Elf Aquitaine, Rhône-Poulene, and Louis Vuitton Moet Hennessy, among a half dozen others, are adding Americans to their investor base in a bid to tailor a more international image. more international image

There is nothing new about ADRs, which were designed 65 years ago to allow Americans to invest in overseas companies. However, they have traditionally been used by only a handlul of multinationals.

Today, however, as European companies gird themselves to compete in an era of privatizations and corporate takeover battles, with an eye on the unified European market of 1992, they are increasingly considering ADRs as a way to raise capital and broaden their

"For any major international or super-large domestic company, no country can meet its capital needs, observed William G. Barron, vice president in charge of securities services for Irving Trust Co. in London. They have to go to international markets."

go to international markets.

For most of these companies, a direct listing on an American exchange would be too costly and too complicated.

With ADRs, the procedure is much simpler: Shares of a French company are traded on the Paris Bourse as usual. When a Paris broker receives an American order, it but the properted change than deposits them with its

broker receives an American order, it buys the requested shares, then deposits them with its custodian bank and issues ADRs on an American exchange at the current foreign exchange rate, and taking into account changes in the share price in Paris after the order was placed. The shares are then quoted in U.S. dollars and trade normally, with dividends paid in dollars. In Europe, the reasons for looking at ADRs vary from country to country. British companies are using ADRs to expand their shareholder base. For example, 60 percent of shares in the automaker Jagnar and 40 percent of Glazo are now held by U.S. investors in the form of ADRs.

PANISH AND Italian companies, on the other hand, are motivated by a fear of being swallowed up by larger French, British and German companies in the frontieriess European market.

Privatization is another reason. The Span-ish government's program to sell off half of Repsol, the state-owned oil company, will put \$2.5 billion worth of shares in play. "There's no way the Spanish market can absorb that," noted Mr. Barron.

while France's privatization program has been shelved under the Socialists, there are still plenty of incentives for large companies to sell ADRs. Elf Aquitaine, for example, launched ADRs, sponsored by Irving Trust, in May. About two million shares are currently traded on the OTC.

"We attack great importance to this program because it allows us to have a more direct contact with American investors and to

direct contact with American investors and to

pany spokeswoman.
In addition to adding American institutional investors to its base, Elf Aquitaine's ADR

program helps reinforce its image as a diversi-fied oil company with activities in chemicals and pharmaceuticals.

In the United States, the spokeswoman said, "We are largely known as a big oil company, even though our other branches such as Sanofi in pharmacenticals, are becoming more and more important."

Like many other European companies, Elf Aquitaine has actually had ADRs for many years, but these were unsponsored, that is, any bank could issue the shares, with or without the company's permission. But U.S. regulations were changed a few years ago to require companies to designate one issuing bank, one

### The tactic helps companies build up a more international

As a result, Mr. Barron said, "In the last four or five years there has been a mad dash to convert from unsponsored to sponsored sta-ms, especially in the U.K. because of the major privatizations." A few companies in France, such as L'Oréal, are still unsponsored, but they have relatively few shares on the American market

Some European companies have specific reasons for issuing ADRs. Laura Ashley and Benetton use them to facilitate employee bomus programs in company stock.

Other companies view ADRs as a tool in takeover battles in the United States. In the current battle for Fireman's Fund, for instance, BAT could have offered its 35 million shares in ADRs instead of cash if they had been sponsored shares rather than unspon-

But most companies are turning to ADRs to raise capital and open a wider distribution of shares, thus developing a more liquid market for the shares. That creates more demand. driving up the share price and making a com-

pany a more difficult takeover target.

"European countries are driven by the need to compete on world markets, and they are looking at ADRs as one idea among many others," said Mr. Barron. He added that for Irving Trust, one of the leaders in the field,

Continued on page 14



ur broad capabilities, long experience and proven reliability are recognized by corporate clients and international inves-

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Even state-owned companies like Rhône-Poulenc are active in takeovers.

### Firms Exporting Stocks

Continued from page 13

France is "clearly one of the markets we are focusing on."
French companies have until recently been

less interested in ADRs than their European neighbors. This is partly because most large companies are owned either by the French government or by a handful of other large companies.

But French companies are also reluctant to file certain financial information with the U.S. Securiues and Exchange Commission, partly because the format for filing requires changes in bookkeeping and partly because of a fear that the information will somehow end

up in the hands of competitors. Nevertheless, companies who overcome their doubts are finding ADRs a valuable tool. Rhône-Poulenc has had shares trading on Nasdaq since March 1987. Philippe Maitre, a company spokesman, said the program is a means of diversifying the state-owned group's financial resources without going through the complicated formalities of direct-

ly issuing shares in the United States. Even the French government is getting into the act. In September, it became the first sovereign state to issue government boods in the form of ADRs. The bonds, called Obliga-tions Assimilables du Trésor, are listed on the New York Stock Exchange. They are designed to attract investors barred for regulatory reasons from investing in loreign government bonds as well as investors reluctant to buy bonds denominated in a foreign currency.

A senior French Treasury official commented, "We were convinced this was a good opportunity."

Will other European countries follow the French example?

Several have cootacted Crédit Lyonnais, which put together the government's program, for more information. But, according to Mr. Barroo, many European countries are already in the U.S. market with Eurobonds, while others have their own solutions. Denmark directly issues bonds in the United States in dollars, and Britain, for historical and cultural reasons, attracts U.S. investors to its home markets.

Spain and Italy are the most likely candidates, but they will probably wait to see how the French boods trade before acting.

MADLYN RESENER is a financial journalist

### Latecomers Catch Up on the Takeover Scene

By Jacques Neher

ARIS - Although the international wave of mergers and acquisitions was late to hit France, experts in the finan-cial community believe French companies are now making up for lost time.

In the past year, the French mergers and acquisitions scene has ignited, with Frenchcompanies becoming active seekers - and targets - of other concerns, both domestically and across borders. The trend has spread through all industry sectors and has involved publicly traded companies as well as smaller private concerns.

"We're seeing a real earthquake in mergers and acquisitions in France," said Pierre Rochon, president of Drexel Burnham Lambert's

The biggest deal, by far, was concluded in June when a French investment bank, Compagnie Financière de Suez, paid 8.2 billion francs (\$1.26 billion) to take control of Societé Générale de Belgique, Belgium's largest com-pany, after a six-mouth takeover battle with the Italian industrialist Carlo de Benedetti.

The wine and spirits industry was joited early this year when the third-largest cognac house, Martell & Co., was bought by Seagram Co. of Canada for about \$850 million; Benediction of Canada for about \$850 dictine SA, a maker of fiqueurs, was sold to Martini & Rossi SpA of Italy; and most recently, another top cognac maker, Remy & Associes, agreed to pay up to \$180 million for Piper-Heidsieck, the fifth-largest champagne

Publishing has also been an active sector. Les Echos, the French business newspaper, was sold to Pearson Ltd. for £88 million (\$150 million) and Générale Occidentale merged its Presses de la Cité book publishing company with CEP Communication's Larousse-Nathan publishing group.

While still far behind the United States and Britain in terms of the volume of such deals, the growth of mergers and acquisitions in France has been formidable.

In 1987, there were reports of 732 transactions in which at least 51 percent control shifted to, or from a French concern. That represents a 44 percent leap over 1986, according to Armand-Louis Weisheimer, president of ALW/M&A International-France, a Paris

consultancy that tracks acquisitions in Europe. Since merger and acquisition statistics are derived largely from newspaper reports, and many deals go unreported, Mr. Weisheimer estimates that the actual oumber of transac-tions could be three times as big.

Of the total reported transactions, more than half were deals between two French companies, 260 cases involved another West European company, and 101 pacts were between French companies and buyers or sellers in the United States or Canada, he said. Among the deals involving foreign compa-

nies, the statistics showed French companies to be more inclined to buy than to sell. They acquired 194 foreign companies, up 45 percent over 1986, while 178 French companies sold out to foreign buyers, an increase of 12 percent,

In Europe, only British and American/Can-adian companies were more acquisitive than the French in 1987, with their purchases totaling 427 and 167, respectively.

The value of this activity is more difficult to track because usually only the publicly quoted companies release sale or purchase figures. However, one industry source put the value of French companies acquired in 1987 at over \$15 billion. In the same year, an estimated \$75 billion was spent to acquire British companies

and \$400 billioo was paid for U.S. companies. Industry experts offer many reasons for the apparently sudden acquisitive mood in France. A common refrain is "1992" — the year by which the remaining trade barriers among the

12 European Community countries are to fall.
"Nineteen ninety-two is in vogue at the moment," said Philip Healey, editor of Acquisitions Monthly, a British magazine. "Everyone wants to get in before the competition gets tough, and they're willing to pay one hell of a

However, Jacques-Henri Bourdois, publisher of the business newsletter Connaissance Première, called 1992 "just an alibi" for more fundamental changes in business strategies. with a decided shift to market-oriented think-

Ten years ago, the main concern of French husinesses was to develop their technology, and that could be done internally," Mr. Bourdois said. "Now, what's important is the size of the market and the company's market share. That's something that can be acquired by external means."

Another factor stimulating mergers and acquisitions, experts say, has been the recent program — now halted — of privatizations. The major groups that were sold off to the private sector over the past few years are now freer to raise capital and engage in crossborder acquisitions, they say.

However, even state-owned groups, like the ehemicals giant Rhone-Poulenc SA and electronics group Thomson SA, have been active in the M&A field, pushed mostly by the demands for restructuring imposed upon them by their respective global industries.

Since 1986, Rhône-Poulenc has focused on the United States, snapping up Union Carbide Corp.'s agricultural chemicals business and Stauffer Chemical Co,'s basic chemicals unit, while it has cast off several subsidiaries that do not fit into its strategy of focusing on a few product areas.

Jean-René Fourtou, chairman of Rhône-Poulenc, said he hopes to spend an additional \$200 million this year on acquisitions, "and if

we're lucky, three times that amount." To solidify its position io the global television manufacturing market. Thomson last year bought the RCA consumer electromes business from General Electric Co., while ceeding its medical imaging business to GF. There have been reports that Thomson is currently looking at Zanish the appropriate to the property of the property o at Zenith, the remaining independent Ameri-

can television producer. "We're seeing the end of the big French conglomerates that try to do a thousand things io a thousand places," said Mr. Rochon of Drevel Burnham Lambert. "The hig compa-

nies will become bigger, hut less diversified, as they seek a bigger chunk of market share." For the smaller companies, especially those created soon after World War II, selling out is a way to solve succession problems for owners now reaching retirement age. For companies created more recently, it is a way for young entrepreneurs to capitalize and name on to

something else. This represents a sea change in the busines mentality, said Mr. Weisheimer.

"It used to be that the owner of a company would sell anything, but never his company," he said. The new generation is more 'Ameri-canized' in that it regards a business more as a tool. You use a tool when you need it, and when you no longer have a use for it, you sell

### Banks, Socialist Government at Odds

Continued from page 13

risk reserves in the capital adequacy calcula-

"Given that 'problem country' debt is currently trading, on average, at a discount of over 50 percent, it is hard to see how banks can argue that at least a proportion of their sovereign risk reserves is not ascribed to particular

essets," the study notes. The IBCA report contends there is a shortfall in several French banks' risk weighted capital ratios (calculated oo the basis to apply at the end of 1992) - even including all their sovereign risk reserves.

1988 and 1989 are estimates.

"Instead of looking for loopholes in the Cooke Committee accord, Freech banks should concentrate their efforts on raising the level of their freely available capital," says the

The French Association of Banks, for its part, has expressed concern that, with only one in five foreign units of French banks operating in the European Community, they might be too lightweight to profit from 1992.

Other experts say that 1992 will be a leap in the dark for European bankers even without problems of capitalization.

"What is io train at the moment will oot be

France's Big Five			
Net income in millions of French Irancs)	1987	1988	1989
BNP	2,835	3,300	3,650
CCF	433	500	560
Crédit Lyonnais	2,223	2,510	2,875
Paribas	1,725	2,400	2,750
Soc. Générale	2,376	2,730	3,060
Suez	2,133	2,485	2,960

Source: Morgan Stanley Research Estimates

altered that much by 1992 and '1992' is oot going to happen by 1992," said Nicholas Collier, a hanking analyst at London's Hoare

Mr. Collier said he thinks it will be unrealistic in most cases for French banks to compete across the board in providing retail services if they do not have a branch in another country.
"The barriers to entry are too high," Mr.

This debate has been under way since the beginning of the 1988 presidential election campaign. But the government, following the example of the Chirac administration when it took office, has preferred to start putting its own men in place before addressing the funda-

For example, Jean-Maxime Leveque, an outspoken advocate of all-out privatization who made oo secret of his annoyance at the halt the Socialists called to denationalization, was removed from the chairmanship of Crédit Lyon-

His counterpart at BNP, René Thomas, for the moment at least, remains in his post. Un-like Mr. Leveque, Mr. Thomas has advocated a partial and gradual opening of his bank's capi-tal, starting with votes for holders of certificates of investment, perhaps followed by a sale of some of the state's equity. But critics say that Mr. Thomas increasingly is being forced to take a back seat in the bank to other leading

Against this background, it remains to be seen whether the banks can expect much help from the government on preparing for 1992 until the municipal elections are over next

JOHN PHILLIPS is a Paris-based correspondent for United Press International

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### Compagnie Générale d'Électricité

CGE 1988 FIRST HALF CONSOLIDATED NET INCOME **UP BY 31** % TO FF 1.7 BILLION

At its September 28, 1988 meeting chaired by Pierre SUARD, the CGE Board of Directors reviewed the Group's interim report for the first half of 1988.

Consolidated net income for the period amounted to FF 1,694 million, an increase of 31 % over the FF 1,290 million recorded for the first half of 1987.

The consolidated income statement reflects the structural changes that occurred during this period, mainly the sale of the consumer electronics activities of the West German subsidiary, Standard Elektrik Lorenz and the sale of the diesel motor

business of SEMT Pielstick, an Alsthom subsidiary. It also takes into account the acquisitions of the cable businesses of Manuli of Italy and those of Ericsson in the U.S. Consolidated sales totalled FF 57,970 million and, on a comparable structural basis, advanced by 5% over the first half of 1987, Excluding structural

Consolidated net income represented 2.9% of sales as compared to 2.3% for the first half of 1987 and 2.7% for 1987 as a whole. Growth in net margin reflects improved profitability in all sectors of CGE's business, in particular telecommunications, business systems and cables.

changes sales growth was 2%.

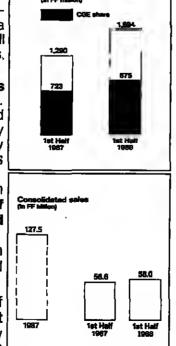
Income from current operations was up by 35% to FF 2,288 million. Non-current income totalled FF 435 million and resulted mainly from the capital gains generated by the sale of Standard Elektrik Lorenz's consumer electronics business.

After deduction of FF 819 million in minority interests, CGE share of consolidated net income totalled FF 875 million, up 21% over the first half of 1987.

Net income per share amounted to FF 13.30 for the 1988 interim period as compared to FF 10.25 for the first half of 1987 and FF 27.80 for 1987 as a whole. Sales growth in 1988 should be in line with that for the first half

and, barring unforeseen circumstances, consolidated net income should amount to at least 3% of sales, thereby meeting this year the targeted profitability objectives set for 1990 at the time of CGE's privatization in 1987.

Consolidated income statement	15t Half	1si half	1987
(in FF million)	1988	1987	
Sales	57.970	56,602	127,461
	2,288	1,690	4,471
	435	351	631
	<b>1,694</b>	<b>1,290</b>	<b>3,388</b>
	875	723	1,832
	819	567	1,556





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opening up of the Common Market in 1992, French venture capitalists will have to match up to the challenge of a broader European market and intensified competition," he re-

marked. The October 1987 stock market crash was the first real test for France's fledgling venture capital industry. Many analysts reckon that in the long term this setback should be beneficial as it will provide, in Mr. Battini's terms, the industry with a greater sense of maturity and

This view is echoed by Michel Biegala, director general of the French affiliate of Britain's Investors in Industry: "Concentration in the French venture capital industry will go hand in hand with a greater degree of professionalism, thereby widening the dividing line between professionals and others running cottage in-



### hat Follow Paris Bourse Reforms Raise Index

By John Phillips

ARIS — The share price index on the Paris Bourse tumbled by 9.7 percent on Oct. 19, 1987, in the worst one-day fall since the 1981 election of President François Mitterrand had sparked off a 14 percent decline.

Not until the end of September did the CAC index recover to its pre-crash level. On Sept. 30, the index surged through the psychological barrier of 380 points to register 380.2. Paris brokers hunching at one of their favorite haunts, the appropriately named La Rumeur restaurant located a stone's throw from the Bourse, breathed audible sighs of relief.

"It's been one of the best performing mar-kers in the world this year," said David Jones, a Warburg's economist at the Bacot-Allain brokerage. "The index will be significantly higher next year though in the short term it may go

French equity market volume averaged 1.4 billion French francs (\$225 million) a day, a reduction of 29 percent compared with the same period in the first half of 1987. ...

"The crash still has left a lot of marks," said Christopher Potts, an economist in the dealing room at Banque Indosuez. "It has warned off a lot of the smaller investors who were getting gung ho."

For months the crash took its painful toll. Nine important firms and a number of smaller companies found themselves in difficulties. In June, the Paris stock exchange chairman, Xavier Dupont, resigned.

In the immediate aftermath of the crash, the Paris Stock Exchange lost 614 million francs of its 1.6 billion franc reserve fund, mostly through uncovered positions on the MATIF financial futures market. In July, it amnounced a further 700 million francs in provisions to cover the deficits of a number of member firms, most of which still are trading.

Have the boursiers learned lessons from these serious setbacks? The Bourse is introducing a radical program of reform, which in-cludes the following measures:

 The new stock exchange chairman, Regis Rouselle, has been working on a major fund-raising operation to raise a total of 700 million francs from member firms, banks and insurance companies to add to the 300 million francs that remained after the crash-induced

 A subsequent operation will raise 500 million francs for a guarantee fund with contribu-tions from firms weighted according to their exposure and capital bases.

• At the end of this year, the exchange also is imposing a minimum capital level of 20 million francs, rising at the end of 1989 to 25 million

Some of the banks that now own brokers

Liberalization The volume of activity, however, has not recovered. For the first seven months of 1988, to foreign involvement in the Bourse.

> have disagreed as to the amount of capital the exchange will need, so a reimbursable tranche has been included in the capital increase. It could be repaid to member companies in three or four years if it proves to be unnecessary.

Other reforms were in the works before the crash. Last year, Parliament passed a deregulatory law allowing brokers to accept outside capital in stages up to 1990. The law also ended the broker's closed shop. About 30 of the old agents de change, many of them the scions of France's wealthiest families, decided to sell.

Such deregulation was long overdue, "Until 10 years ago the Bourse was based on a system introduced by Napoleon and last changed by Napoleon III." said a senior staffer at a leading Liberalization opened the door to foreign involvement in the Bourse, giving it u more cosmopolitan flavor.

For example, J.P. Morgan, the fifth largest U.S. bank, announced plans to take 80 percent of the stockbroker Nivard-Flornoy. Warburg the British securities house, amnounced plans to take ut least 90 percent of Bacot-Allain, which has a staff of 120 and assets of over 115 million francs.

The Société des Bourses Françaises went one step further than the December legislation. On Sept. 29, it announced that it was dropping the previous timetable allowing gradual acquisi-tion of stakes in brokerages. Banks and other institutions now can take full control of domestic stock brokerages immediately.

President Mitterrand's re-election last May and the formation of a Socialist minority povernment under Prime Minister Michel Rocard have not had any perceptible adverse effect on foreign investment.

The Rocard team basically was well received almost," said a commercial attaché at a Western embassy. "They were seen to be basi-cally liberal and modern politicians anxious to stress policy continuity."

Foreign investors from London and New York, and more recently Knwait and Bahrain, have been returning to Paris though it has not been a tidal wave. Last week, Britain demanded that the Knwait Investment Office, the London-based investment arm of the Kuwaiti government, reduce its stake in British Petroleum to 9.9 percent from 21.6 percent

The Socialist victory put a halt to the privatization program of the previous conservative government with the flotation of 10 former nationalized concerns on the stock market.

But many brokers say privately that it may have been a blessing in disguise that denation-alization ended when it did given the volume of capital the privatized companies had syphoned

"The French market has come further than any other market in Europe," said I. Paul Horne. Smith Barney's Paris-based international economist. Ten years ago it was a kind of under the apple tree market. Now you have a vast array of modern structures. What has to

Entrepreneurial Trends

### Venture Capital Posts Rapid Gains

By Howard Schissel

ARIS - France only discovered venture capital in the mid-1980s as part of the cultural revolution shaking up its financial markets and practices and breaking down its rigid dirigiste frame-

Since then, with the entrepreneurial spirit starting to take root, France has been striving to make up for lost time by developing its venture capital industry and modifying the

legal environment to encourage it.
"I left France in 1981 to work in the United
States and returned in 1985 to find that in just a few years we have made up almost 50," said Jean-Bernard Schmidt, managing director of Sofinnova, an independent venture capital

Inm.
Indeed, the number of French companies engaged in venture capital activities has grown fast; it doubled from 1983 to early 1988 to around 90. With an estimated 12 billion French frames invested at the end of 1987, the French venture capital industry ranked third in the Little State and Brit. the world, behind the United States and Brit-

Pierre Battini, president of the French Vennere Capital Association (AFIC), expects this pace of expansion to continue over the next few years, albeit with n new touch. With the

dustnes." It was the French Socialists who provided in the mid-1980s the imperus for the development of venture capital by the encouragement of capital markets and the launching of the second



Jean-Bernard Schmidt.

marche. It is estimated that at least a quarter of the 250 companies on this market were fi-nanced in one way or another by venture capital. Moreover, 10 venture capital funds are themselves listed.

With the arrival in Paris of foreign venture capital specialists like Investors in Industry and Alan Patricol and the spronting of aggressive French independents, a real venture capital culture has begun to blossom. Nevertheless. some outdated practices, such as mixing equity financing with loans, still continue, but should gradually disappear.

Fiscal incentives have also spurred the growth of the venture capital industry. Tax relief is provided for both venture capital com-

their money in non-listed companies.

This is making available to small- and medium-sized companies, most family owned, sophisticated financial engineering techniques, providing many with a new lease on life. Tax-advantages also encourage venture capital to advantages also encourage venture capital to take a risk in the high technology field. French venture capital is looking abroad,

panies and funds that invest a certain share of

try. It is certainly better today, but we still must ameliorate the legal environment." Thanks in part to the lobbying of the venture capital industry, new laws were introduced last year to improve the conditions for leveraged management buyonts. As they get bigger, they should offer a new field of activity for French venture capital, especially in the form of syndi-

Lyons at its center.

happen is that the mentality has to change."

often beyond Europe, to assure its future ex-pansion. Union d'Etndes et d'Investissements (UI), an affiliare of Crédit Agricole, is invest-

ing in foreign-based venture capital funds and concentrating on the international transfer of

"Venture capital is not just a financial tool to guarantee high profits, but rather one that can engineer tie-ups and synergies between companies in our portfolio," said Jean-Luc Beckert, vice president at UI for international

In a survey of its members commissioned by AFIC, Britain's Venture Economics found that

in 1986 reporting member companies invested 836 million francs in 300 different operations. Venture Economic believes that the total investment outlay of AFIC members in 1986 reached 1.1 billion francs.

Technology-related companies, including

French venture capital industry still has problems. One of the most

commonly heard complaints is the lack of liquidities on the Second Marché, a factor distorting the valuation of companies.

Another concerns the dearth of instruments

compared to the United States," noted Mr.

Schmidt of Solinnova. "In France, we are

constrained by overly complex regulations not

in nuce with a dynamic venture capital indus-

HOWARD SCHISSEL is a journalist based in

"Legal tools are still limited in France when

those in electronics, computers, communica-tions and medical health received over 40 percent of the invested capital, accounting for almost 36 percent of the companies financed. As might be expected, given the centralizing tendencies in France, almost half the total investment was in the Paris region. The second most important region was Rhône-Alpes, with

### **Banks Confront Consumer Complaints**

By Jacques Neher

ARIS - "Is Your Banker Robbing You?" inquired the headline on the front of a recent French newsweekly, while another magazine blazed, "Banks: The Customer Revolt.

These are not the best of times for the image of banks in the eves of the French consumer - nor in

the eyes of the government. After loud consumer protests made the banks back down from a plan to start charging a fee for checking last year, the three higgest banks began locking horns with the Finance Ministry in September over a plan to increase the between 11 and 26 percent.

The announcement, made si-multaneously by Credit Lyonnais. Societé Générale, sparked blister-ing charges of price-fixing. Fi-nance Minister Pierre Bertgovoy and Budget Minister Michel Charasse promised that the banks would be taken before the Compeático Comeil.

The government also pushed its campaign in the marketplace. The postal service, which already of-ters various banking services, began trumpeting that its card fees would not be raised.

If that were not enough, Mr. Bérégovoy let it be known that n 1.4 billion franc tax break that had been planned for the banks would be withheld if they didn't back

Almost immediately after the attack started, Credit Lyonnais broke ranks with its two competitors by renouncing the increase, its new president, Jean-Yves Ra-berer, declared Credit Lyonnais wanted to "urgently start an indis-pensable dialogne" with its cus-

French consumer bodies believe such a dialogue may be long over-due. Last year, the number of complaints received by the Comité des Usagers du Crédit National, a consumer advocacy group, leaped by 50 percent. Complaints ranged from claims of bank account mistakes and unjust credit refusals to limited banking hours. The new battle over card fees is

seen by some as a continuation and extension of a long-running campaign by the banks to recover the costs associated with free checking.

This is a way around the old problem the banks have been facing for several years," said Ian Fornival, a French market analyst with Phillips & Drew, stockbro-

For years, the banks have ad-monished their customers for writ-

"The French will write a check to buy a box of matches," said Mr. Furnival. They write three times the amount of checks, per account holder, as the British."

Banks turned to plastic debit cards as a way to wean their customers off the checkbook, and the success of the campaign may have led to the bank card problem. Last year, the number of checks written fell 7 percent while card operations doubled to around one bil-

As a result, however, the costs also soured for the Groupement

ing checks too often, flooding their costly check-processing facility, jointly owned by the banks to

The plan to raise the bank card annual fees - currently between 75 francs and 135 francs - was

up" with the growing costs, Mr. Chatillon said. Unlike with bank credit cards,

serve as the cleaninghouse for all nual fee. electronic card transactions, said it lost 1 billion francs in 1987.

aimed at closing this gap, said Dominique Chatilton, president of the French Bank Association. "It's logical that we should try to catch

in which transaction costs can be partially recovered through fi-nance charges on the unpaid balance, banks have no way of recov-

debit cards except through an an-

Weighing particularly heavily on the cost structure of the cards is the quickly gaining popularity of automatic teller machines. The automatic tellers — there are 11,000 connected to the French interbank network - incur a cost ranging from 3 to 8 francs per transaction, according to the bank association.

JACQUES NEHER, a journalist based in Paris, is a regular contribu-tor to the International Herald Tri-



**COMMUNICATING FOR THE FUTURE** 

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### Tokyo, Amid Some Concern, Emerges as No. 1

By Patrick L. Smith

TOKYO - As inevitably as an earthquake realigning the earth's tectonic plates, the cataclysm that -rolled through financial markets one year ago has fundamentally reordered the world financial system and thrust Tokyo - once an "exotic," if not secondary market - ioto the unaccustomed role of global market leader.

With that new role, however, have come an increasing number of questions about Tokyo's suitability for assuming it. How level a playing field, many critics here are asking, is a markets system where insider trading scandals reach into the offices of the Prime Minister and Finance Minister, where an estimated two-thirds of all issued stock are held offmarket in a web of cozy interlocking relationships, and where the Finance Ministry is both an issuer, and regulator, of stock issues.

. "We're growing tired of all the oddities of the Japanese market," said Masataka Hisamatsu, a deputy manager for internacional business at Yamaichi Securities Co. Obviously this gives us a strange appearance from the viewpoint of ouisiders. The mood now is to develop trading practices that are closer to an international norm."

To be sure, the practices in Tokvo that are drawing increasing criticism from foreign investors are common throughout the region, reflecting fundamental differences between Asia and the West as to what constitutes a fair trading environment. At issue here is whether Tokyo will genuinely evolve into a global market or remain Asian in character

Skepticism on this point is widespread. It is becoming increasingly apparent, however, that the pace at which the Japanese market develops is likely to depend on how costly it becomes for participants to continue indulging in long-established traditions.

"I expect Japan to develop into a more important market than it is now for both foreign and local investors," said Nobumitsu Kagami, managing director of Nomura Investment Management Co. "But obviously there are cultural and institutional differences in the way Tokyo works. These will persist you can't expect them to go away, even though changes are under

Moral issues aside, the exchange's resilience in the year since the collapse has helped Tokyo achieve unprecedented importance among world investors. Alone among the world's major exchanges, Tokyo has oot only recovered its losses from "Black Tuesday" one year ago, it has also





Traders and statisticians in Tokyo, which has been thrust to the forefront of world financial centers.

surpassed its precollapse peak to become the largest capitalized market in the world.

At its 1987 peak on Oct. 14, the Nikkei index of 225 stocks stood at 26,646, a gain of 61 percent over the previous 12 months. In valuation terms, the market was trading at 2 price-to-earnings ratio of 75, almost five times the level of New

But when the collapse came, Tokyo prices fell only 15 percent, compared with the 23 percent loss recorded on the Big Board. And while Tokyo's rate of growth has been outperformed by several smaller Asian bourses this year, it surpassed its precollapse record last April, making it the first major exchange to complete its recovery from the October debacle.

The bourse closed Friday at 27,306.57. down 3.9 percent from its record high on Aug. 5 of 28,423.38. Most other major world exchanges, in contrast, are trading at levels 20 percent to 35 percent below their 1987 peaks.

To international investors, this undeniable strength has brought Tokyo a dimension and stature that is likely to continue growing along with the nation's global economic and financial influence.

The exchange's quality of seeming unstoppable resilience has also lent support to the notion that Japan would again act as a final backstop should another crisis develop in world capital markets. More than this, however, most analysts here discount the possibility of another serious disruption because a variety of conditions, ranging from bood yields to prospects for ecocomie growth, have changed.

A year ago, for instance, the failure of equity markets to respond to rising interest rates led to a significant overvaluation of stocks relaapparent in Tokyo and other mar-

Since the crash, global markets have moved closer to a state of equilibrium, partly because stock prices remain at lower levels and partly because interest-rate yield curves, reflecting increased confidence in the ability of major central banks to control inflation, have flattened worldwide.

Equally, most Japanese analysts are still confident that the U.S. trade deficit and Japan's surplus in trade are declining at an acceptable pace. While foreign economists here have begun to assert that the adjustment process has stalled in recent months, their Japanese counterparts bave suspended judgement pending the U.S. presidential election next mooth.

This confidence remains intact. While there are signs that industrial and consumer demand in Japan are somewhat weaker than they were a year ago, the economic strength un-derlying Tokyo's resilience since last year is still apparent, econo-

"The fundamentals here are still reasonably good, and they should continue catching up with share prices, said Jeff Max Uscher, chief of research at Smith New Court Far East Ltd. "Even if the market were to come down again, it would not be a dramatic drop."

Apart from such promising indicators, however, what also helped keep the market afloat last October - and what would help keep it afloat again, analysts believe - are several of the characteristics that make Tokyo less mature than leading Western exchanges.

For ooe thing, Tokyo is only now beginning to develop the wide

tive to bonds. While this was par- range of derivative products availticularly evident in New York, able in New York, such as futures analysts say, the phenomenon was and options. While these tend to uate market movements in the United States, analysts say, their absence in Japan has meant the market would not come un-

hinged in a crisis as easily as Wall For another, the large proportion of shares held off the market in Tokyo's complex web of corporate cross-holdings -- two-thirds of issued stock, by most estimates — also tends to limit the overall market's volatility. So, of course, do legal limits on how much an issue

can fluctuate in a given session. Foreign analysts acknowledge that the Tokyo market, by moving in marked cootrast to other bourses, has now established itself as a genuine diversification opportunity among overseas portfolio managers. Reflecting this, foreign investors became net buyers of Japanese stock in the months follow-ing the October debacle for the first time in three years.

"It's pretty clear that the world is taking Tokyo more seriously now," said Eric Rasmussen, senior economist at Jardine Fleming (Securities) Ltd. in Tokyo. "There's been a buge realization that this market was not overvalued relative to earnings prospects and that the high P/E's were oot out of line."

At the same time, however, there is an unmistakable sense in Kabutocho, as the financial district here is known, that the exchange, its regulators and its participants are only partly prepared for the prominence

a generally lower level of expertise over-the-counter market, than is found in New York or Loo- In all cases, the offic

don have long been seen as the downside of doing business here. But such features of the market. while still accepted locally, have come to seem increasingly inapproprinte in recent months.

And insider trading practices, brought to international attention in a series of scandals over the past year, are unlikely to disappear, analysts suggest, despite new legislation and private-sector efforts to narrow the definition of what constitutes a legitimate flow of market information.

At the same time, there is increasing discomfort among both local and foreign brokers with many of the long-established peculiarities of the Japanese market, including government "guidance."

The internationalization of se curities trading means this market can no longer be a closed, cozy Japanese phenomenon — the lid is off," said Stephen Church, chief of research at UBS Phillips & Drew in

More controversial this year has been a series of market scandals involving executives at leading companies such as Nippon Steel Corp., Sankyo Seiki Manufacturing Co. and Normura Securioes Co. In one form or another, most of these are concerned with the use of privileged information in the mar-ket, whether it constitutes illegal insider trading or not.

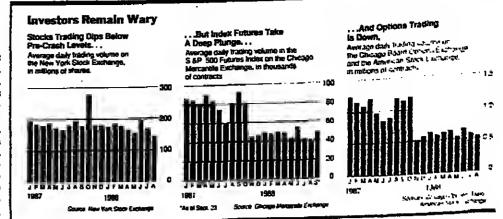
Reflecting Tokyo's relatively primitive regulatory framework, the issue rarely involves a legal infraction and is usually debated in moral terms. In a current controversy involving the sale to government officials of unlisted shares in Recruit Cosmos Co., a high-flying real estate and publishing concern, the issues are excessive profits and public opprobrium, not whether the law was broken.

In part because of Tokyo's increasing international stature, the Finance Ministry, the Tokyo Stock Exchange, brokerage houses and corporations are all developing new regulations covering such problems as insider trading, the use of privileged information and the power of large share syndicates. While most of these rules will become operative within the next few months, the question is how effective they will be.

For one thing, politicians have been major beneficiaries of unscrupulous practices. In the Recruit scandal, for instance, Prime Minister Noboru Takeshita, Finance Minister Kiichi Miyazawa and oththat has been thrust so quickly into er senior officials appear to have Closely held stock in most major listings, the cootinuing power of speculative trading syndicates and a secondary by lower land of area the stock was listed on the

> In all cases, the officials have denied that they profited from trading in Recruit shares, and have insisted that the shares were purchased without their knowledge by

aides or friends of aides. For another, the availability of inside information and the influence of syndicates that manipulate the Tokyo market. Analysts say the emerging difficulties of several large real estate and stock speculators, for instance, is partly to blame for the market's dull performance over the past several months.



### Caution Among the Major Traders Is Remaking Market Mechanisms

By Anise C. Wallace New York Times Service

NEW YORK —A year ago, institutional money managers would have snapped up shares of a blue-chip growth company if, in the absence of negative news, it dipped by as much as a quarter of a point. But one afternoon recently, with these big players decidedly more cantious, the stock of the Warner-Lambert Co. slid by a point and a half on

sell orders that totaled less than 5,000 shares. The action in Warner-Lambert, or lack of it, is typical of how institutional investors continue to react in the wake of the steepest stock market collapse in history.

"Everyone wants to assess their risk exposure." said Robert H. Morrison, head of trading at Fidelity Investments in Boston, which has \$75 billion in

This caution, along with other post-collapse changes in trading tactics, is having a marked impact on stock market liquidity — that essential swirl of buy and sell orders that keeps prices from jumping around wildly.

The unwillingness to play the market as eagerly as before is just one of several ways that these large firms have changed how they are managing their huge portfolios. They have also adopted oew computerized mar-

ket-timing strategies that automatically direct billions of dollars out of stocks and into bonds and Known as tactical asset allocation, this strategy

uses computer models of the economy, interest rates and stock returns to anticipate the direction of stock and bond prices. It has largely replaced portfolio insurance,

which was a popular hedging strategy until it came under fire as adding selling pressure in last year's At the same time, the money managers are increasing their interest in other investments, such

as real estate and leveraged buyouts. This has slowed the growth of money going into Behind these broad changes is the shock the

money managers felt last October, when, for the first time, they found that the stock market could oot accommodate their monstrous size.

In fact, oo an average day there is fully a third less liquidity on the New York Stock Exchange than on the busiest days before the 1987 disaster. according to Bridge Information Systems to St.

Bridge measures liquidity as the amount of oet buying or selling of shares on a daily basis that will move a market index 1 percent.

Thus, as in Warner-Lambert, fewer shares will move a stock by a greater amount.

lo the past, Wall Street's biggest brokerage houses were willing to lay their own money oo the line to absorb institutional buying or selling pres-

Now they are less likely to "position these orders," as the practice is called, at prices at or near the previous trade in the market.

Few experts expect any belp from Wall Street, in part because institutional money managers, under pressure from their pension fund clients, are paying brokers such skimpy commissions.

Their reduced trading and reluctance to take on more stock even at discount prices also make the firms less willing to commit their own capital to facilitate trades.

"Liquidity is not going to come back if we cannot make any money in this business," said Kent A. Logan, a managing director of Paine

The result is that Wall Street firms are positioning prices at deeper discounts or bigger premiums below or above the previous trade or are sending the orders directly to the floor of the New York Stock Exchange, where the impact is even greater.

Because they remain nervous about the structure of the stock market as well as the strength of the economy, pension fund and other institutional clients see capital protection as more important than the search for big returns.

"I doo't think we've ever seen our elients so conservative about stocks," said Bruce Calvert, research director at Alliance Capital Management, a New York firm with \$35 billion under manage-

Such attitudes, of course, are crucial to the functioning of the New York Stock Exchange, because institutions, which control more than \$1 trillion in assets, account for nearly 75 percent of

The largest group of institutions is run by the "active" managers, those who make buy and sell decisions based on fundamentals about the company's earnings and assets.

The other group, which controls just a quarter of institutional stock assets, includes the "passive" managers, those who use computer models in ao attempt to provide returns equal to or slightly better than a market index such as the Standard &

Ironically, in this post-collapse market, their labels actually contradict their behavior. Many "active" managers are trading less than they did in the past because they have less confi-

dence in the prospects for the stock market. But "passive" managers continue to trade aggressively as they seek to enhance their returns by

capturing short-term profits from disparities in the stock and futures markets - a strategy known as index arbitrage. For liquidity purposes, the volume picture is even worse than it seems.

Even though reported volume on the NYSE is off only 10 percent from last year's record levels, when stock index arbitrage and dividend captures, another relatively oew short-term strategy, are excluded, volume is actually running at half of last

This year, for example, the annual turnover rate of stock portfolios at IDS Advisory Group has fallen below 50 percent from last year's level of 80 percent, said Peter Anderson, president of the

under management.
What institutions are finding is that the lack of liquidity makes it more expensive to trade simply because they must pay more when buying stocks and receive less when selling.

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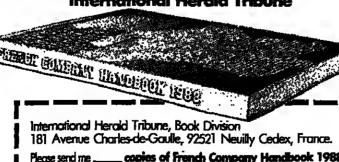
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### **American Exchange Options**

Figures as of close of trading Friday.



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### ONE YEAR LATER: Wall Street is still badly maimed, but forecasts of broader economic collapse now seem overwrought

### In Frankfurt, the Aftermath Leaves More Germans Holding More German Shares

By Ferdinand Protzman

FRANKFURT - When West German analysts and bourse officials had finished alting through the rubble of the stock market collapse last year, they made a wholly unexpected discovery: For the first time in three years, domes-tic investors held more shares on German exchanges than did foreign ones.

The violence of the debacle, it seems,

Bank GmbH in Frankfurt. "What happened on Wall Street was a shock, but he real decline came with the dollar's Sharp depreciation against the mark.

There were great fears that our export industry would suffer a loss of competi
and often criticized structure of West

1984, took the profits accumulated in the previous bull market and ran.

Werner Schwilling, executive vice president in charge of securities trading for Deutsche Bank AG in Düsseldorf said that foreign investors sold West German stocks worth about 10 billion Deutsche marks (\$5.49 billion) from the end of October 1987 to the end of May. He estimates that some 50 billion DM of West German stocks was in foreign hands at the time of the collapse.

put more German shares in more German hands.

"Somehow, the crash wasn't really important here," said Dieter Wermanh, an economist at Manufacturers Hanover Bank GmbH in Frankfurt. "What here make them more stock shy - it aroused interest in equities."

While purchases by domestic inves-

German stock trading that softened the Alarmed by the dollar's seeming free immediate impact of the stock rout.

fall, foreign investors, who had dominated West German stock trading since Germany, so there was no program trad-

Unlike brokers in other countries, even market makers, the banks were never threatened with a shortage of liquidity, he added. Their financial reserves far surpass those of any broker. The capital background of the West German was around 46 billion DM.

"West German shares." stock exchanges is completely different from Wall Street." Statistics from the Bundesbank, West

Germany's central bank, bear out the shift in market dominance. In October 1987, foreign investors sold 3.59 billion DM worth of German shares, contrast-ing with purchases of 872 million DM the previous month. They remained net

Meanwhile, domestic investors bought 7.61 billion DM of West German stocks in October 1987, contrasting with sales of 64 million DM the month be-fore. The monthly volume of stock pur-

"Trading was oever halted here, because It was, however, a wrenching shift it is done through the commercial banks. The Bundesbank's stock index fell 28.8 The universal banking system, which allows banks to trade securities, helped us from 263.0 at the end of October 1987. During that span, the market value of West German equities plunged more than 50 percent, to 31.27 billion DM from 75.17 billion DM. The market's capitalization has since recovered to

> "West German shares went off on one of the strongest negative tangents of the world's bourses after the crash," said Margot Schoenen, who heads the stock analysis department at Westdeutsche Landesbank Girozentrale in Düsseldorf. "One reason was that foreign investors pulled out."

> Foreign investors were attracted by the prespect not just of rising prices, she added, but also by the potential for exchange-rate gains based on the strength of other currencies against the Denische mark. But as the mark appreciated they took their profits and ran.

The post-crash weakness also had a

investor can sell stock and get the money in two days. Many investors, particularly foreign investors, needed quick cash to fill holes elsewhere and they took advantage of the rapid settlement here."

Gerd Neubeck, director of securities trading at Industrickreditbank AG in Düsseldorf, said the dollar's steep, post-October shump to a low of 1.58 DM on Dec. 31, 1987 would have him the West German market whether the stock collapse occurred or not. He pointed out that the market remains very exchangerate sensitive.

stocks largely as a currency speculation, and that is no longer a factor," Mr. Neubeck said. "West German investors place their funds much more calmly, and with a longer-term view, which has decreased the volatility somewhat. Barring disturbances from exchange vites. "Bettle, according to stock experts. "While most analysts believe the same holds true for Wall Street, they do not expect a repeat of the Oct. 19 debacle. Some brokers, however, were less optimistic. "While a repeat of Black Monday is disturbances from exchange vites." disturbances from exchange rates, we are fairly confident that prices will continue the stock market and have on plans to Mr. Braun said his worst-case scenario

to gain through the end of 1988."
With the average price/earnings ratio

The recovery began during the winter as investors realized that the bleak economic forecasts which followed the collapse — scenarios featuring little or no gross national product growth, shumping corporate profits and dwindling exports

WELL DOLCOMING THE

foreign dominance, the collapse also had megative consequences, both blatant and subtle, according to stock experts.

While most analysts believe the same

Advising investors has also become

in New York," Mr. Schwilling said.

"Trading was oever halted here, because

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"I was, however, a wrenching shift.

"Because of the good settlement procedures on Germany's stock exchanges, an also said there is still potential for proces."

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"Because of the good settlement procedures on Germany's stock exchanges, an also said there is still potential for process." "Because of the good settlement procedures on Germany's stock exchanges, an also said there is still potential for prices you absolutely have to have this compato rise, though their buy recommendations center on a handful of blue chip a Frankfurt-based equities analyst for issues. Chemical stocks were the one the Matuschka Gruppe, a leading investment advisory and venture capital

were not coming true.

Besides the shift to domestic from other issues are oot doing nearly as well.

named agreed: "I am completely out of comic background is vastly different, includes the possibility of a series of "minicrashes."

#### IMPACT: What Catastrophe?

(Continued from page 1)

ly," said Brendan Brown, chief economist at London's County NatWest investment bank.

Citing estimates of a staggering \$1 trillion overnight loss in worldwide purchasing power — the sum of the market capitalization wiped out in the crash —numerous economists had predicted la collapse of international confidence and sharp cuibacks in personal spending that would halt or at least severely slow economic growth.

CONOMISTS also cited the likely impact of the the socalled "wealth effect" theory, according to which people who suddenly feel poorer are much less inclined to spend money. According to this theory, every dollar decline in consumer wealth would trigger spending cuts of between 3 cents and 6 cents — yielding a projected loss in consumer spending of between \$30 billion and \$60 billion.

Nothing of the sort happened. In the fourth quarter of 1987, the quarter of the market collapse, U.S. personal consumption after adjusting for inflation slipped just \$16 billion, or 2.5 percent. And for most of 1988, consumer spending and retail sales have been increasing at such a fast clip that economists have been citing the worry of renewed inflation.

Reflecting the views of many private economists, Jean Cheval, chief economist at the Banque Indosuez in Paris, said he has come to "the paradoxical or unexpected conclusion that the crash largely spared the real economy and concentrated its negative effects on the financial sector."

It is not that economists believe that the world has suddenly righted itself and no more dangers lie ahead. The world's major economic imbalances — notably the U.S. twin budget and trade deficits—have not yet been corrected, growth is widely expected to slow next year and many economists are concerned about a

resurgence of inflation.

Beyond that, a number of leading authorities continue to maintain that while the crash made hardly a deut in economic prosperity, it revealed serious defects in the financial system which still need urgent attention. .

Felix G. Rohatyn, a senior partner of Lazard Frères investment bank in New York, warned this month that a second and more devastating crash could occur unless fundamental reforms are made to the system. "Practically nothing has been done to

prevent a recurrence," he wrote in Time magazine. He added: "We have yet to address the basic problem excessive volatility, excessive speculation, excessive use of credit and inadequate regulation."

Avner Arbel, a professor of finance at Cornell University and author of a forthcoming book entitled "Crash," says that the upheaval in world markets last October was "not the result of an conomic crisis but a financial crisis." But, he adds, "The scary thing is that since then nothing has been done to fix it."

HE DISEASE that suddenly attacked the world's stock markets last October was "misdiagnosed" as being of economic origin when it was really "a crash of the market mechanism," Mr. Arbel said. That "misreading of the message" led to the erroneous predictions of recession.

The stock market crash was "a gigantic technological accident" brought on by a failure of the system, said David Hale, chief economist at Kemper Financial Services in Chicago. John Pholan, head of the New York Stock Exchange, said much the same thing last week: the crash was caused by internal technical market problems, oot economic factors.

Many analysts agree that the panic selling of last October was at least partly prompted by bad economic news —including what seemed like disastrous U.S. trade figures, poor corporate earnings reports, rising long-term interest rates and a sharp clash over monetary policy between Washington and West Germany.

But, they say, the market exaggerated the importance of these temporary factors, which masked the real underlying strength of the world economy. Nevertheless, there is widespread agreement that shockwaves from the crash could still have caused serious economic and financial damage had it not been for the rapid decision by central banks in most of the major industrialized countries, and particularly the United States, to pump billions of dollars into the

"The stock market shock was absorbed without any ma upset thanks, in particular, to the abundant injection of liquidity by the central banks," Jean-Claude Paye, Secretary General of the Paris-based Organization for Economic Cooperation and Development, said in a speech this mouth.

In the United States, the Federal Reserve turned its monetary taps wide open in the days and weeks following the collapse, pumping up the monetary base, the core component of the money

supply, at an annual rate of some 40 percent.

This flood of liquidity, matched to varying degrees by other national central banks, had a double effect on the world financial system. It restored confidence by making it clear that funds would be available for brokerage houses and financial institutions in difficulty. And it stimulated the Western economies by pushing down interest rates sharply over the following months.

U.S. short-term interest rates, which had risen sharply just before the crash from 7.5 percent to 8.5 percent, fell back quickly to 7 percent and were down to 6.5 percent, fell back quickly to 7 percent and which peaked at 10.8 percent in early October, were down to 9.3 percent by the end of February.

HE FEARED "wealth effect" also proved illusory, mainly because initial calculations vastly overestimated how much poorer people would actually feel after the crash. Early calculations also failed to take sufficient account of the long

period of wealth accumulation that preceded it. Trying to gauge the wealth effect was "an experiment one had to live through," Mr. Brown said. "In future, economists will view the phenomenon on a somewhat longer term basis."

Equally, Mr. Brown said, most economists last autumn were still unaware of the coming business investment boom throughout the industrialized countries. "A lot of that was probably already in the pipeline. But it was not visible, it was not taken on

Added to that, economists now point out, was the delayed impact of the decline in oil and commodity prices in the first half of 1986, which did not begin to exercise its stimulatory effects on the world economy until 1987.

Furthermore, some analysts now say, the market collapse may have had the perverse effect of giving business investment boom a shot in the arm by encouraging borrowing at the lower interest rates that followed.

Many economists believe that the real test still lies ahead once the U.S. election season is over. There are widespread fears that the decline in the U.S. trade deficit may come to an end in 1989, following this year's rise in the dollar, and there is anxiety that the new U.S. administration may not act decisively enough to cut the budget deficit.

#### OCT. 19: LOOKING BACK

### Some Authentic Passenger Statements

When the stock market collapsed on Oct. 19, dire predictions were made about the ability of the U.S. economy to rebound from such a cataclysmic event. Yet, 12 months later, according to many experts, the economy and the financial markets are sound. Joel Kurzman of The New York Times talked to several experts about what they have learned since the stock market fell.

#### Nathan Gantscher

President and chief operating officer, Oppenheimer & Co.

We are not seeing individual investors coming back into the market. Volume is slow and industrial and individual business is down 30 to 50 percent. Since Oct. 19, we have been in the doldrums. Companies have been shifting their businesses into mergers and acquisitions, corpo-

rate finance and arbitrage. These were in place prior to the crash but have now assumed a greater importance. The first thing we saw was Wall Street firms getting rid of fat. Since then, we've seen some cutting muscle — Paine Webber's recent layoffs in investment banking, for instance. The problem is that maybe some of the people who have been let go were not

they will be needed. In the aggregate, Wall Street is capable of weathering this period because the capital is so much heavier than in the past. People are not talking about the viability of firms, simply they have to learn how to manage their businesses like busin

productive on a short-term basis, but when things heat up again,

#### Louis Sperber

Senior partner, Sperber-Adams &

What I observed was that some of the crash was caused by the "herd effect." Forty percent of the business I did around Oct. 19 was from people who wanted to buy or sell before the markets even opened. Fear cut across both the sophisticated and the amateur investor.

What has been happening since Oct. 19 is that small investors have taken the position that

they want cash and safety and that they feel safety is not to be found in the stock market. Investors are looking for bonds. They timk "why not get a sage 10 percent in a bond instead of risking it in the market." On the other hand, those investors who didn't run for the hills are still in the market.

The small investor will not be coming back into the stock market for a long time. I, like a lot of others in this business, will just have to sit tight.

#### Leo Melamed

Chairman, Chicago Mercantile

The first thing we learned from Oct. 19 is that it won't repeat itself. It doesn't mean the market won't go down, but that it won't do it all

We also learned that the futures markets are no place to frolic and gamble, but are instead integral parts of the financial markets. Even for the people on the New York Stock Exchange, the futures market can't simply be wished away.

Since Oct. 19, we have created provisions for the coordination of the two markets - the New York Stock Exchange and the Chicago Mercantile Exchange — that include necessary circuit breakers. When these provisions for coordination are approved, it Since last October, volume has declined about 40 percent on

will put in place a system of comprehensive coordination. Standard & Poor's futures index trading. But overall volume on the Chicago Mercantile Exchange is down only 6 to 7 percent.

#### Joseph DiMartino

President and chief operating officer, Dreyfus Corp.

I think what Oct. 19 showed us is the mechanism we operate within — the financial markets - has to be treated with deference. What happened on Oct. 19 was that we learned that for very little money people can leverage up. Buying futures has its effect on the stock market. A lot of people have focused on program trading and the derivative instru-

ments. Every time these are boughtor sold they affect the market. What Oct. 19 pointed out is that price can change without respect to the real value of the stock. This has created the fragility in the system. We also learned that this fragility can make the market a one-way street with nothing to buffer it or stop

#### Ken Leibler

President, American Stock Exchange.

The worst didn't happen. There are forces — with some beyond and some within our control — that have made the market more volatile. Key changes haven't been made in the coordination of the futures and stock markets. Nowhere else in the world do the futures and stock markets come under different

The economy is in better shape than I would have expected. The flight of the individual investor was predictable. The level of stocks is surprisingly high, given last year, but volume has suffered since Oct. 19 with the flight of the individual investor.

#### Wassily Leontief

Nobel laurente in economics, New York University

Some economic activity has slowed down slightly since Oct. 19. It is like we're approaching the top of a hill and when you are on the top of a hill it is quite clear that you must go down. No one can expect the economy to go upward all the time. But when it comes to the downturn, no one

can say when it will happen. We have learned that the crash was a technical crashand that in spite of it the economy remained robust. This is clear. I suppose that many precentions have now been made to prevent another technical crash. The markets are now like the space shuttle. We weren't very careful before the disaster, but now we are.

#### Robert Dallek

Professor of history, University of California at Los Angeles

The only thing we learn from history is that we never learn to paraphrase Hegel. I have the impression that the crash has disappeared from the public mind and the administration's thinking. I see oo indication that the administration is responding to the crash largely because the economy is buoyant. It has faded from view and has been eclipsed



by prosperity. And the Demo-crats haven't made use of it in the campaign. Only subtle economists and scholars are really concerned.

### **Short Memories** Mask Damage Across Europe

LONDON — One year after Black Monday, most European stock markets have clawed back from the depths; investors might almost be tempted to feel it was all just a bad dream.

From Milan to Frankfurt, share prices are testing the year's highs and the talk in London, where the recovery has been more cantious, is of funds being switched to Europe's smaller markets.

But equity analysis warn that the

recovery paints a misleading picture: Investor confidence has been shaken; trading volumes remain depressed; and European markets are still well down on peaks in the bull stampede before the Oct. 19, 1987 collapse.

"It is easy to forget that markets are still below historic highs," said James Comish, European market strategist at County NatWest Ltd.

Analysts believe talk of another buil market is premature. This is particularly true of London, where the recovery has been lackluster after the collapse wiped nearly £100 billion (\$175.5 billion) off

share one year ago. In continental Europe, stocks have been buoyed partly by relief that Black Monday did not usher in a 1930s-style Depression, but also by increasingly strong economic

That has been particularly true in West Germany. And the Milan market has surged after Italian Prime Minister Ciriaco De Mita's success in pushing through a major reform of parliament that will abolish virtually all secret voting.

But the main lesson of Black Monday, analysts say, is that the highs of the bull market in 1987 and in some cases the peaks date back to 1986 — were wildly inflat-ed and that trading is now settling down to a more normal pattern.

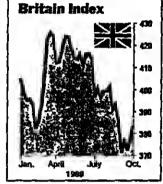
While continental markets have been advancing, the riddle remains Loudon, where the widely watched Financial Times 100-share index closed Friday at 1,840.6, just above its immediate post-collapse low of 1,801 and 24.7 percent below its alltime high three months before the debacte.

The long drag back has been far from smooth; investors are unsettled by high British interest rates, rising inflation and a growing current-account deficit.

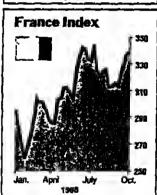
"We've got to see mambiguous evidence that the deficit and inflation rate are on the mend before the FTSE can get back up to around the post-crash highs," said Jeffrey Thompson, equity strategist at the Barclays de Zoete Wedd brokerage.

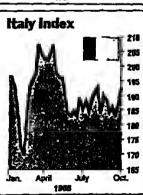
A sampling of European markets and how they fared: Milan surged on Friday to a new 1988 high, bitting 1,175 on the ex-change's MIB index, but prices are still about 37 percent down on the 1986 all-time peak. County NatWest's Mr. Comish said, "Italian stocks still look very cheap."

• Frankfurt's 100-share FAZ index closed last week at 529.06, margin-ally off 1988 highs but also almost









Market capitalization-weighted indexes, in U.S. dollars. Indexes based on Jan. 1, 1970 = 100.

30 percent down on the all-time peak in West Germany's 1986 bull market. Share volume on the nation's eight bourses is also running about one-third down on last Octo ber's levels.

· Paris reflects a similar story. The CAC index of 244 leading shares held just below 1988 highs at the end of last week. It is now about 3 percent above levels just before Black Monday, but 17.2 percent down on highs in March 1987.

Between October 1987 and March this year, the Paris stockbrokers' association lost 1.25 billion French francs (\$201 million), virtually wiping out its bail-out fund and forcing its members to underwrite a huge capital increase. Brokers now say the market may be

 Madrid encountered the collapse one day later than most other markets, but suffered its biggest oneday loss. Prices have just about recouped lost ground, but Friday's close of 283.77 is still about 13 percent below pre-collapse highs. • Stockholm's bourse index ended the week on a strong note at 922.42, 6.6 percent down on the all-time high just 10 days before Black Monday but well recovered from lows at 607.90 m the wake of the collapse.

Brussels' main market index has

retreated from September peaks but has been edging back up of late. It reached pre-collapse highs earli-er this year on the back of buying of Belgium's biggest company, Socié-tè Générale de Belgique, in a take-

over battle.

Zanich is still trading about 20 percent below levels just before Black Monday. The market has advanced carriously.

### INVESTORS: Wall Street Wonders When, or If, the Little Guy Is Coming Back

gust, however, retail investors were inous to the over-the-counter mar- such as merchant banking. net sellers of 200,000 shares, after ket, dampened enthusiasm. The Market specialists argue that the being net buyers of 3.1 million 1980s also marked the era of dereg- loss of even marginal activity will

confronted right after the market cates of deposit. collapse, such as unanswered phones at brokerages, left a legacy missed cowadays. Although few not included. of puspicion. The stock market is analysts believe individual inves-

monming the demise of the indi- securities industry.

Still, retail investors are sorely

Just as wonying to market specialists is evidence of public miscress from the decade, as high interest rates specially true earlier trust of the market. Insider-trading in the decade, as high interest rates seandals, program trading and the granteed attractive yields on almost 19 percent lower than last problems that many individuals money market funds and certifications. This was especially true earlier true to the week of a market flow is that these roll the market now is that these roll the market now is that these roll the market are grim reminders huge individual shareholdings are that many of the economic ills that true to the market loss of liquidity. The indus-no longer being traded anywhere led up to the crash have not been resolved.

In the end, many individuals many never return, the incentives

More serious problems, analysta no longer viewed as a level playing tors are needed to sustain a market contend, could emerge. Although rally any more, their absence has the stock market continues to be- a stock for 5 to 10 years. As a result, To be sure, Wall Street has been clearly burt a large segment of the come more institutionalized, indi-

viduals remain the single biggest widual investor for years. The appevidual investor for years.

A good illustration can be seen at

the investor for years. The appevidual investor for years.

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clination to reestablish their presat regional firms is down 16 percent trading became so prominent.
At the end of the first quarter,
"We've been losing the retail in
At discount brokers, who carer there was roughly \$3.1 trillion cal for the diversity of the market."

to 45.1 million.

\$2.9 trillion in stocks at the end of

willing to forgive management a temporary setback in earnings. On average, individuals will hold on to their participation tends to lessen volatility. "It's no secret that the market

has become more institutionalized, can't be measured by just num-

(Continued from page 1)
vestor for more than 20 years,"
submome on the New York Stock
Exchange so far this year, compared to an estimated 29 percent
last year, according to the Securities in 1973 and 1974, followed by a new-issue bust in 1983 that proved perticulary rays, according to the Securities in 1983 that proved perticulary rays, according to the Securities in 1983 that proved perticulary rays, according to the Securities in 1983 that proved perticulary rays, according to the Securities in 1983 that proved perticulary rays, according to the Securities in 1983 that proved perticulary rays, according to the Securities in 1983 that proved perticulary rays, according to the Federal investors, according to the Federal viduals will return to the market is a topic that preoccupies retail brockets and other activities, in 1983 that proved perticulary rays, according to the Federal viduals will return to the market is a topic that preoccupies retail brockets and the securities in the hands of investors, according to the Federal viduals will return to the market is a topic that preoccupies retail brockets. By comparison, including the control of the securities in the hands of investors, according to the Federal viduals will return to the market is a topic that preoccupies retail brockets. By comparison, including the viduals will return to the market is a topic that preoccupies retail brockets and the proved perturbation of the securities. The market downturn in 1973 and the marke

The fact that interest rates have been rising this year and that the However, the crucial difference monthly trade results continue to plation, and individuals discovered just add to the woes of a market for the market now is that these roll the market are grim reminders

year, rather than the 10 percent ently in the marketplace when com-previously thought, if trades aimed pared to institutions. They are less at capturing dividend payments are performance-driven and are more reform, the highest income tax bracket was 50 percent, while capi-tal gains were 20 percent. Today both are 33 percent. Moreover, older investors who profited from the bull market despite the crash are more interested in preserving their

> Mr. Sindlinger, the polister, notbut individuals lend a texture that ed that on Labor Day of 1985 there can't be measured by just numwere 53.3 million stockholders. But

### **MONDAY SPORTS**

#### **SIDELINES**

#### Ireland Wins Dunhill Cup Team Golf ST. ANDREWS, Scotland (AFP) - Ireland won the Dunhill Cup

team golf tournament for the first time on Sunday with a victory over third-seeded Australia in the final.

Victories by Des Smyth and Ronan Rafferty over Rodger Davis and David Graham in the first two of the three matches gave the eighth-seeded Irish the title. Earlier Sunday, Ireland had defeated England, 2-1, in a semifinal suspended late Saturday because of fog. Australia had

defeated Spain, 2-1, in another semifinal Saturday.

In the playoff Sunday for third place, Spain defeated England, 2-1.

#### Pavin Has 5-Stroke Lead in Texas Golf

SAN ANTONIO, Texas (AP) — Corey Pavin shot a four-under-par 66, stretching his lead to five strokes after three rounds of the Texas Open Golf Tournament on Saturday.

Pavin's 17-under-par total of 193 matched the low 54-hole total on the PGA Tour this year. Tom Pernice birdied two of the final three holes for a 67 and was second at 198. Tom Kite recovered from a double bogey and compiled a 69, leaving him in third place at 200.

#### Final Day at Belmont Is Canceled

NEW YORK (AP) - The closing day of racing at Belmont Park on Monday has been canceled in deference to the funeral of the jockey Michael Venezia and because of a threatened strike by the track's jockeys over demands for pay increases and improved safety standards.

Gerard S. McKeon, president of the New York Racing Association, announced the cancellation of Monday's card Saturday afternoon, short-

ly after the running of the Champagne Stakes. McKeon said he had already been "leaning" toward canceling Monday's card because of the funeral of Venezia, 43, a jockey who was killed in an accident during a

Earlier in the day, the jockeys had announced that they would strike the Monday races and set up a picket line unless owners and trainers grant them immediate pay increases. The dispute is over the schedule of fees jockeys receive for finishing second or third in races. In every racing state except New York and Louisiana, riders receive at least 5 percent of the purse money earned by second- and third-place finishers. In New York, unless they negotiate privately with owners and trainers, riders receive a flat fee with a maximum of \$450.

#### NBA Rockets Sign Top-Pick Chievous

HOUSTON (AP) - The Houston Rockets have signed their firstround draft pick, Derrick Chievous of Missouri, to a three-year contract, ending a weeklong holdout just a day before the National Basketball Association team's exhibition opener in Milwaukee.

Chievous, a forward, signed a contract on Friday reportedly worth about \$1 million. His contract negotiations extended past the start of training camp Oct. 8, and Don Chaney, the Houston coach, said Chievous's late start may delay his entry into the rotation until mid-season.

#### Estrada Keeps Jr. Featherweight Title

OSAKA, Japan (AP) — Juan José Estrada of Mexico scored a technical knockout Sunday over Takuya Muguruma, his Japanese challenger, to retain his World Boxing Association junior featherweight title.

Muguruma's corner threw in the towel 2 minutes into the 11th round after Estrada knocked down the challenger for the second time.

#### For The Record

**ACROSS** 

20 Sarcastic Ierm

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married

38 \*Norma -39 Coral Islands

36 Senator from Kan.

40 Impending evil

44 "The Greatest"

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buildings - Harl

Mary Slaney of the United States overtook Christina Cahill of Britain with a quarter of a mile (about 400 meters) to go and won the 20-block Mercedes Mile in Manhattan in 4 minutes, 20.03 seconds on Saturday. Steve Scott of the United States won the men's race in 3:53.43. (NYT)

The Spanish Cycling Federation rejected on Saturday an appeal by the Irish cyclist Sean Kelly of a positive drug test given in Spain in April during the Tour of the Basque Country, confirming a three-month ban and 100,000-peseta (\$830) fine.



A triumphant Pat Terrell of Notre Dame after blocking Miana's last-minute two-point conversion.

### Patriots Upset Bengals

The Associated Press

FOXBORO, Massachusetts eggie Dupard ran for two secondhalf touchdowns after the New England Patriots had intercepted four passes by Boomer Esiason on Sunday to upset the Cincinnati Bengals, the National Football League's last unbeaten team, 27-21. Esiason, the American Football Conference's top-rated quarterback,

#### NFL ROUNDUP

had thrown just three interceptions in his first six games. The Bengals had only eight turnovers in six games; they had five on their seven first-half possessions Sunday. But Esiason led Cincinnati, 6-1,

back from a 20-0 deficit and cut it to 20-14 with 59 seconds left in the third quarter when he threw a 26yard TD pass to Eddie Brown.

Browns 19, Eagles 3: In Cleve-land, Don Strock, 37, a fourthstring quarterback making his first start since 1983, threw two secondhalf touchdown passes and Cleve-land sacked Randall Cunningham nine times for the Browns victory

Strock, a former Miami quarterback signed by Cleveland a month ago, broke a 3-3 tie with five min-

pass to Webster Slaughter over Philadelphia cornerback Eric Allen. The extra point was blocked.

Bears 17, Cowboys 7: Io Chicago, Jim McMahon's 39-yard touch-down pass to Ron Morris and a 4yard reverse touchdown run by touchdown and ran for another Dennis McKinnon led the Bears past Dallas.

Any hopes Dailas had for an upset were diminished when Steve Pelluer, the starting quarterback, left the game with a concussion on the Cowboys' third play from of 15 Minnesota penalties to upset scrimmage. Danny White took over the Vikings. but was sacked five times.

Ollers 34, Steelers 14: In Pittsburgh, Warren Moon, playing for the first time in six weeks, threw for two touchdowns and Houston turned two blocked punts and four Pittsburgh turnovers into all but six of its points.

Moon, who had been sidelined with a fractured shoulder blade, threw scoring passes of 43 yards to Ernest Givins and 24 yards to Drew Hill, while Mike Rozier and Allen Pinkett scored on short runs.

Giants 30, Lious 10: In East Rutherford, New Jersey, Phil

utes left in the third quarter when he lobbed a 15-yard touchdown pass to Webster Slaughter over the New York offense scored on its first four possessions of the second

19-(1)

half to defeat Detroit. Colts 35, Buccaneers 31: In Inthanapolis, rookie quarterback Chris Chandler passed for 240 yards and a

score as the Colts edged Tampa Bay. Packers 34, Vikings 14: In Min-neapolis, Don Majkowski passed for 243 yards and Max Zendejas tied a club record with four field goals as Green Bay took advantage

Tommy Kramer, who started at quarterback for the Vikings, was for-12 for 37 yards when he started with 2:14 left in the first half. Wade Wilson replaced him and finished 17-for-26 for 248 yards.

Redskins 33, Cardinals 17: In Washington, Mark Rypien threw four touchdown passes, two each to Art Monk and Gary Clark, as the Redskins ended a four-game Phocnix winning streak.

Raiders 27, Chiefs 17: In Kansas City, Missouri, Bo Jackson gained 70 yards and scored a touchdown in his 1988 NFL debut to lead Los

### Notre Dame Thwarts Miami, 31-30; UCLA Wins

Oklahoma 70, Kansas St. 24: In

Norman, Oklahoma, backup quar-terback Charles Thompson ran for

three first-quarter TDs and passed

Clemson 49, Duke 17: In Clem-

son, South Carolina, fullback Tra-

cy Johnson scored twice and quar-

terback Rodoey Williams

Anburn 42, Akron 6: In Auburn,

Alabama, Stacy Danley rushed for

two touchdowns, James Joseph

added a 73-yard scoring run and

accounted for two other scores.

for a fourth to lead the Sooners.

SOUTH BEND, Indiana -Fourth-ranked Notre Dame got its long-awaited revenge Saturday, de-feating No. 1 Miami, 31-30, as Pat Terrell, a free safety who earlier

returned an interception 60 yards for a second-period touchdown, broke up a two-point conversion pass with 45 seconds left. "This was a win by the Notre Dame spirit," Coach Lon Holtz said. "It was a win by the spirit of a

group of guys who just refused to fold and believed. You can't pick out a hero. Notre Dame was the hero today.' Notre Dame had been waiting three years to atone for a 58-7 loss to Miami in Gerry Faust's final game as coach. The Irish lost a rematch

Notre Dame broke a 21-21 tie when Pat Eilers, a wingback, ran two yards for a third-quarter touchdown, the first of his career, two plays after the Irish turned

WEATHER

back a fake punt.
Reggie Ho's 27-yard field goal

last season, 24-0.

Miami scoring threats in the final seven minutes.

"It should not have come down to a two-point conversion," said Coach Jimmy Johnson of Miami,

#### COLLEGE FOOTBALL whose Hurricanes had seven turn-

overs. "There is no way we could have made as many mistakes as we did and won the game." Miami's loss was its first in 36

regular-season games. UCLA 38, California 21: Troy Aikman threw two touchdown passes and ran for a third score,

to 6-0 overall and 3-0 in the Pacific USC 28, Washington 27: In Los Angeles, Scott Lockwood rushed for 133 yards and Southern Cali-

belping the No. 2 Bruins improve

Florida St. 45, E. Carolina 21: In Tallahassee, Florida, Chip Fergulate in the third period made it 31- son threw two scoring passes and

fornia thwarted a two-point cou-

version pass with 1:39 left.

Reggie Slack passed for 224 yards 21 and Notre Dame survived three Chris Parker ran for two touchto power the War Eagles. downs to fuel the Seminoles.

Nebraska 63, Oklahoma St. 42: Wyoming 55, New Mexico 7: In Laramie, Wyoming, Randy Wel-In Lincoln, Nebraska, Ken Clark rushed for 256 yards and three niak threw for two touchdowns and touchdowns and quarterback Steve ran for another score and Dabby Taylor accounted for five TDs to Dawson rushed for 179 yards and a lead the Combuskers. touchdown to carry the Cowboys. Georgia Tech 34, S. Carolina 0:

Michigan 17, Iowa 17: In Iowa City, Iowa, Michigan's Tracy Wil-liams and Iowa's Tony Stewart each In Atlanta, Andre Thomas intercepted two passes, returning one 51 yards for a touchdown and the othfumbled at the one-yard line to er 10 yards to set up Stefen Scotthwart crucial scoring drives. ton's short scoring run, as Georgia Arkansas 27, Texas 24: lu Aus-Tech ended a 15-game losing streak against Division I-A opposition.

tin, Texas, quarterback Quinn Grovey ran 21 yards for a touchdown and set up two other scores as the Razorbacks won for only the second time in three decades in Austin.

Vanderbilt 24, Florida 9: Io Nashville, Tennessee, Eric Jones hit Steve Kosanovich with a oneyard pass on a fourth-down play to give the Commodores a 17-9 lead with 9:42 left and then Vanderbilt added Mark Johnson's 11-yard scoring run with a minute to go after holding Florida on a fourth-

DENNIS THE MENACE

down play.

Bloomington, Iodiana, Anthony Thompson rushed for 139 yards and three touchdowns and Dave Schnell rushed for two scores to lift the Hoosiers. (AP, UPI)

#### ■ Return to Losing Ways The goalposts remained upright.

Players shook hands politely and left the field. Columbia had lost. Normalcy had returned. The Lions, who ended five years

of misery last week with a 16-13 victory over Princeton - their first triumph in 45 games — reverted to losing Saturday, this time to Yale, 24-10. The New York Times reported from New Haven, Connect-

Last week, the Lions did not turn the ball over in a game for the first time in 16 years. Saturday, they fumbled five times and were called for repeated holding penalties. Yale, without a victory in four

games this season and outscored by its last three opponents by a total of 90 points, got splendid second-half running from Buddy Zachery.

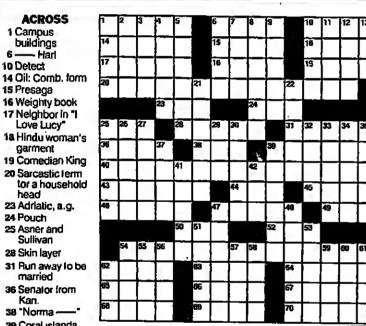
#### Richmond Beats BU in London

The Associated Press LONDON — Quarterback Austin Neuhoff sneaked in from one yard out with a minote and a half remaining to give Richmond a 20-17 victory over Boston University here on Sunday in the first regular-

season college football game ever played in Europe. Richmond recovered a fumble at the Terriers' 14-yard line with 3:25 remaining to set up the winning touchdown. In all, the Terriers turned the ball over six times, twice in the final four minutes.

Although it was filled with mistakes and penalties, the Yankee Conference game appeared to be a successful debut for about 2,500 spectators who sat, through chill and a raw mist at the Crystal Palace National Sports Center, Britain's leading track and field stadi-

YOREBOAN



New York Times, edited by Eugene Maleska 21 Denmark'a ---

**PEANUTS** 



### NORTH AMERICA 27 81 23 73 31 88 26 79 21 70 10 50 MIDDLE EAST MONDAY'S FORECAST — CHANNEL: Slight. FRANKFURT: Overcost. Femp. 15 = 13 (59 - 55). LONDON: Foogy. Temp. 15 - 13 (59 - 55). MADRIO: Stormy. Foren. 29 - 12 (46 - 55). NEW YORK: Purily cloudy. Femp. 23 - 11 (73 - 52). PARIS: Cloudy. Temp. 10 - 12 (64 - 54). ROME: Foir. Temp. 28 - 16 (79 - 61). TEL. AVIV: Not available. ZURICH: Cloudy. Femp. 15 - 12 (59 - 54). BANGKOK: Thundarstorms. Temp. 24 - 12 (77 - 61). MANILA: TIS- 281. NONG KONG: Foir. Temp. 23 - 22 (77 - 61). MANILA: Thundarstorms. Temp. 28 - 30 (79 - 86). SEOUL; Froyv. Temp. 10 - 21 (59 - 70). SIMOAPORE: Thundarstorms. Temp. 25 - 31 (77 - 88). TOKYO: Warsow Zurich OCEANIA



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ANDY CAPP



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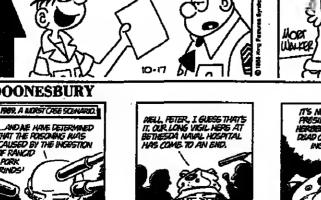
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by Henri Arrold and Bob Lee

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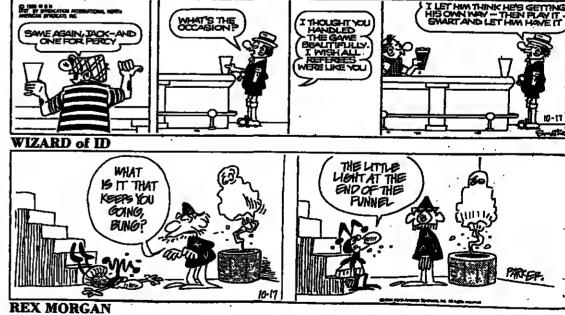


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Richmond In BU in London

the winning streak

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**SCOREBOARD** 

World Series

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By Joseph Durso New York Times Service

LOS ANGELES - Kirk Gibson sat in the trainer's room in Dodget Stadium and watched his teammates on the Los Angeles Dodgers struggle to cope with the awesome power of the Oakland Athletics. It was the opening game of the 85th World Series on Saturday

night and Gibson was hobbled in both legs. He was the missing man. But in the bottom of the ninth g, with the Dodgers down to their final out and one run behind. the missing man limped onto the scene and pinch-hit before a screaming crowd of 55,933 fans.

And on a mean three-and-two slider from Dennis Eckersley, the ace relief pitcher who had saved 45 games this season, who hadn't surrendered a run since Aug. 24, Kirk Gibson created one of the electrify-ing moments in Series history: He hit a two-run home run that beat

the mighty A's, 5-4.

He also created more of the mysterious magic that carried the Dodgers to the National League pennant last week when they upset the favored Mets in seven games in the playoff.

Tommy Lasorda called them "my team of destiny." And Saturday Lasonda's team of destiny needed a lot of magic to survive their opening encounter with the Athletics, who won 104 games this season, the most in the big leagues, and then swept four more from the Boston Red Sox to

win the American League pennant. "I couldn't even do a little jog in my living room," Gibson said. "I watched the whole game in the trainer's room I heard them say on national TV that I wasn't going to

Then I decided it was time to give it a try. And I thank the good Lord for putting me in one magic

"His left leg was hurting, his right leg was hurring." Lasorda said, seeming stunned by the latest drama in town. "But Kirk Gibson can hit a ball out of Grand Can-

There was even more drama to it than that. The Dodgers had opened the game with a burst of power of r own: a two-run homer that Mickey Hatcher hit off Dave Stewart in the first inning.

flashed even more power; a grand siam home run that Jose Canseco hit off Tim Belcher.

By the home half of the ninth, the Dodgers were one run behind. Then Eckersley arrived, and he needed only three outs to keep La-

WORLD SERIES

sorda's magic from making any last-minute appearance.
In the trainer's room, the missing man began to spin his fantasy. He had already received a cortisone shot from Dr. Frank Jobe, the

Dodgers' physician, but nobody knew when he would play again.

In the playoff, Gibson beat the Mets twice with home runs on consecutive days. But he was limping even worse by the time the Dodgers completed their coup and headed for the World Series. "I decided I'd give it a try," Gib-

son remembered. On the mound, Eckersley was all business. He got Mike Scioscia on a pop fly to shortstop, and he needed two outs. He struck out Jeff Hamil-

pinch-hit for Alfredo Griffin, and he sent Dave Anderson out to the on-deck circle as the ostensible hitter for the pitcher.

Davis worked Eckersley for a walk, Anderson retreated and out came Gibson to thunderous cheers.

"He was the secret weapon," Hatcher said. "I didn't even know he was on the beach, It's like beicving something, and seeing it

happen."
Gibson got the count to three balls and two strikes. Davis stole second, and Gibson was standing at the plate thinking: "A base hit will bring him in." Eckersley fired, and Gibson swung. The ball rose into right

field, arched higher as Canseco ran back toward the wall, and then it fell into the seats for the final dose of Dodger magic. "Walk him?" asked Tony LaR-

ussa, the manager of the A's. "I considered it. But I didn't think it was a very good move.
"I decided it would be best to let Eck go after him."

### Los Angeles Bullpen Was the Key to Victory

By Malcolm Moran

was going to be a foomote. In a walks, one of which was intention-year of surprises, the bullpen of the Los Angeles Dodgers has often Leary, who won 17 games and kept the team close enough for lateinning drama.

Samrday, in the first game of the World Series, the Dodgers stayed close, but until the very end, the inspiring finish was missing. But when Kirk Gibson's two-

out, minth-inning home run gave the Dodgers their 5-4 victory, hind-sight was kinder to the relievers Tim Leary, Brian Holton and Ale-

"We have to shut these guys down," Leary said, "They can't score five, six, seven, eight runs. If we hold them to four, we've got a

That left the relievers without a margin for error when Leary re-placed the starter, Tim Belcher, in the third inning, with the Athletics

1 1 3-4

New York Timer Service nings, the Dodger bullpen held the LOS ANGELES — Their work A's to no runs, four hits and two

started all but one of his 35 appearances this season, became the fourth starter in a three-man rota-

Only four A's advanced to second base in the final seven innings. And with the help of two base-running mistakes in the fourth inning, Leary was able to end the second of two problems the Athletics created after Jose Canseco's sec-

ond-inning grand slam.
In the third inning, Leary's first, he allowed singles to Terry Steinbach and Gleon Hubbard. But Leary then forced Walt Weiss to fly to left field. He struck out the itcher Dave Stewart, and Carney Lansford forced Hubbard at second to end the inning.

Leary's problems resumed in the fourth when Dave Henderson led off with a double.

But then came the first of Oakland's two base-running mistakes. Henderson began toward third on Canseco's ground ball to shortstop, and before he could return to secand, Alfredo Griffin, the Dodger shortstop, threw to the second baseman Steve Sax, who tagged Henderson for the out.

Parker with the throw.

But the home-plate umpire, Dong Harvey, ruled that Parker was outside the running lane. McGwire was walked intentionally, Leary struck out Steinbach to

end the iming. From that point, Leary, Holton and Pena retired 15 of the final 17 Oakland hitters.

"That's the role I've had for two years," Holton said. "I take a lot of pride in coming in and keeping as Kirk Gibson, hugged by Manager Tommy Lasorda, is surrounded by his teammates at home plate.

### **Tyson Counters With Divorce Action**

TRENTON, New Jersey Mike Tyson, the heavyweight boxing champion, says in divorce pa-pers that he was "the hapless victim of intentional fraud" and that his wife of eight months, Robin Gi-vens, married him for money and

· Tyson filed the divorce action on the ground of extreme cruelty and said Givens had sought to publicly humiliate him, "strip him of his manhood and dignity, and destroy his credibility as a public figure."

"The defendant's conduct resulted in the plaintiff's sustaining severe emotional distress and prevented him from attending to his business as a professional prize fighter," said the papers, filed Friday in New Jersey Superior Court. The document, which asks for

Then, with Canseco at first, Dave Parker hit a roller on the right side. Leary, trying to make a difficult throw around Parker and toward Franklin Stubbs at first, hit backs around Parker and toward Franklin Stubbs at first, hit sought a divorce in a California court on the ground of irreconcil-able differences A work before the able differences. A week before, she described Tyson in a nationally relevised interview as a threatening and manic-depressive person.

Parker was declared out, and Can-seco had to return to first. After Canseco stole second and Mark

Tyson and Givens, a television actress, were married in February and lived in a large estate valued at \$4.5 million in Bernardsville, New Jersey. The marriage has been rocked by rumors of domestic quarrels and Tyson's alleged violent temper.

> night, Givens said, "I didn't get months. I got married I ... got married to get divorced. I'm 23. I'm pregnant. I lost a baby, you know. idealistic. You know, I don't want I'm losing someone very close to to get divorced."



"As far as money goes," she said, "money will come and go. But no one will ever love me the way Michael loves, I'm sure, or vice versa. So ... for people to bring it down

to money is sad." Tyson said in his filing that Givens induced him to marry her after lying about being pregnant with his child.

Givens said in the interview Friday, "You know, a lot has hap-In a television interview Friday pened to me in the last eight

In Sunday's editions of the Chicago Sun-Times, Tyson said Givens was "evil" and had played "a sting game" to trick him into marriage so she could get his fortune.

Tyson also contended in the interview that Givens and her mother, Ruth Roper, "don't like black people," even though both are black, as is the world champion.

"They use them, but they don't like or respect black people. They want to be white so bad. The way they talk about black people, you'd think you were living with the Ku

## Harriera MacDermid (1), Somaelsson (1), Pervaro (3), C.Witson (2), Francis 2 (3), Anderson (1); Larmer 2 (5), Volve (5), Vinculative (1), Engles (1), Stotis on soil: Chloson (en Sidoridenica), 123-10—30; Harriford (an Pang) 16-9-10—35.

TRANSITION

dent and peneral counsel, resigned. Mattagod League

BASKETBALL guard, to a Enree-year contract ex Waived Jeff Cook, center-larward.

Nov. 13.
EDMONTON—Activated Rick House, stot-back, and Downy Toylor, defensive back, from practice resine, Re-octivated Andrew McCon-nell, defensive lockle, from reserve list. Reneth, defensive ricking, from reserve inst. Au-cultivated blem Adendarich, defensive tockle-from Injured list and transferred him to re-serve list. Reteased Cliff Puredi, tockle, Cliff Tourr, defensive back, and Sinter Zaleski, wide receiver, and added them to straking reserv-OTTAWA-Added Johnny Lewis, defensive tackie. Activated Shon Jenkine, defensive end from practice roster, Released Ken Bra-den, linebacker, and Michael Cline, detensive end, and added both to practice roster. National Football Learne ATLANTA-Activates John Scully, offen-

guerd: Tim Green, Ilmsbocker, and 21-

guard, from Intured reserva. Placed Danadi Evana, defensive end, on injured reserve. SAN D12:60—Activated Lesile O'Neil, de-fensive and. Released Keith Saldwin, defen-

SEATTLE-Coloned Dorren Comeque

SAN FRANCICSO-Activoted Terry Green

SEATTLE—Cokined Dorren Cometum. Inhebacker, from procedural recall watvers from Son Froncisco, Placed Alvier Powell, suord, on the non-football injury list. Stened Tim Burnham, suord, Rebessed Doug Hallie, defensive end.

WASHINGTON—Signed Gree Coleman, punter. Released Gorey Walters, punter.

Hockley

Hottlesel Hockey League

BUFFALD—Seril Jeff Portey, center, to Rachester of the American Hockey League.

DETROIT—Reinstand Pair Kilma, left wing, and assigned him to Adtrondack of the American Hockey League, officitive Sunday, Oct. 18.

MINNESOTA—Assigned Jarma Myllys, League,
N.Y. ISLANDERS—Assigned Jeff Finley,
defensemen, and Rad Dollman, left wine, to
Springfield of the American Hockey League.
N.Y. RANGERS—Sent Joson Lafreniere,

contex to Denier of the infaminism Heckey League for a two-wisek conditioning program. Such Joe Polerson, left wing, to Denier, and Day Wickenhaler, cester, to Finite of the IHL WASHINGTON—Accelered Kent Carison. when two turn—actoring Rent Carigons defensement from Winniper for future con-siderations and assigned laim to Baltimore of the American Hockey League, Stoned Doug Keans, southender, to a two of contract and applicated him to Baltimore.

estioned him to Bottlinions.
WINNIPEG-Sest Bryon Marchment, de-tersement, to Belleville of the Ontario Hockey.
League and Affic Turcotts, center, to Moncton tensering, in serievital of the Uniform inocely League and Affic Turcita, contint, to Moncton of the American Hockey League, COLLEGE CALDWELL—Named Glenn Carrell and Bruce Borrieti ossistent basketboll concles. MASSACHUSETTS—Named Kothy Hewelt MASSACHUSETTS—Named Kothy Hewelt

Paralympic Games Open

Kang Duk Chun of South Korea, a volleyball player, running the torch into Seoul's Olympic Stadium during opening ceremonies of the Paralympic Games on Saturday. Disabled people will compete during the 10 days of the first Paralympics.

### U.S. Athletes Defy Ban In South African Meets

PRETORIA - Thirteen U.S. suspensions, are competing in South Africa's first international track meets in 12 years.

Tomlinson, said the Americans would fight in court if U.S. track officials followed through with their threat to suspend athletes who competed Saturday in South Africa in violation of the international sports boycott

Reflecting the recent lack of world-class competition here, three of the Americans broke South Afri- ported from Harare, Zimbabwe. can records - a 1984 Olympic ole Cady with a discus throw of 61 meters (201.3 feet); and Milan fighting the South African govern-Stewart with a time of 13.65 in the 110-meter hurdles.

lowed to compete in the Olympics control board in its place. since 1960 and was expelled from The communique was signed by the International Amateur Athlet-ics Federation in 1976 because of rugby board South Africa's top

Trek Petroleum, the oil company sponsoring the visit, has not disclosed how much the athletes are Nzo. being paid. Local newspapers have reported that organizers were at- first meeting with ANC leaders was tempting to raise up to 6 million held because of "a common desire"

Petranoff said on television that he saw no rationale for the boycott against South Africa when "jerrorist" countries such as Libya and Olympics.

Saturday's meet was the first of three competitions for the loreign team. The others will be held Thesday and Saturday.

news release that any American the world.

who competes in South Africa was PRETORIA — Thirteen U.S. subject to disqualification by the track and field athletes, risking life TAC, the sanctioning body for track and field in the United States.

Cassell said the American athletes and coaches risk "disqualifi-The visitors' manager, Dick carion from all domestic and international competition for the rest of their lives."

■ South African Rugby The African National Congress movement on Sunday agreed to help in a bid to end world isolation of white-dominated South African rugby, The Associated Press re-

A brief communiqué issued at bronze medalist. Dave Laut, with a the end of a two-day meeting beheave of 20.15 meters (66.5 feet) in tween the ANC and top South African rugby officials said the ANC, the main guerrilla organization ment, supported moves to disband the white-run South African Rugby South Africa has not been al- Board and establish a nouracia

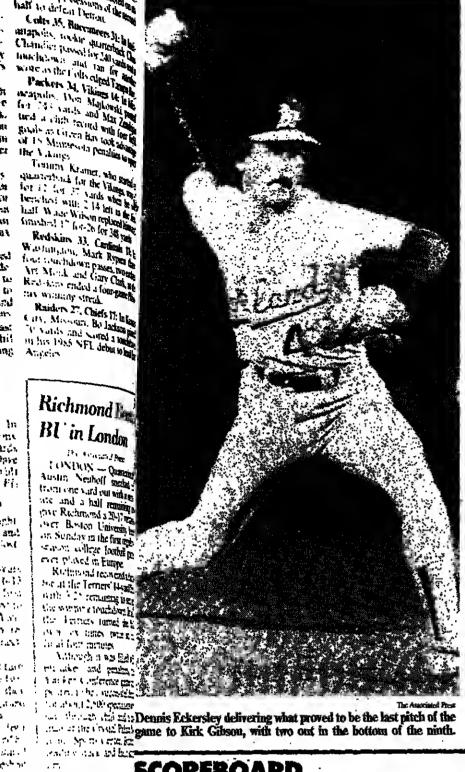
ration. ration. rugby official; by Ebrahim Patel, head of the anti-apartheid South
Trek Petroleum, the oil company

African Rugby Union; and by ANC's secretary-general, Alfred The communique said Craven's

rand (\$2.5 million) in sponsorship to end racial segregation in South African rugby and win international recognition for players.

Craven, a white resident of South Africa, sparked a major controversy in South Africa earlier this Iran are allowed to compete at the month with a call for the abolition of apartheid and an announcement that he would meet the ANC.

Rugby is the most popular team sport for South Africa's whites. The sports boycott has frustrated many Ollan Cassell, executive director players and Ians who believe the of the Athletics Congress, said in a national team could be the best in



BASEBALL

FOOTBALL

College Results

LOS ANGELES corabl Cor Cornell 35, Brown 0
Dorfmouth 36, Harvard 7
Delaware 10, Villonova 7
Helv Cress 48, Lehish 24
James Madison 29, Northea Molle 28, Rhode Island 14
Penn 33, Colorte 22
Pittsbursh 42, Texnole 7
Princeton 41, Bucknell 35
Rutgers 17, Bestos College 6
Syrocus 24, Penn 5, 10 3 0 0 0 Scioscia C

Syrocuse 24, Peng 51, 10 Yale 24, Columbia 10 50UTH 948 009 000—4 200 001 002—5 Game-Winning R01; Gibson II ].
DP: Ookland I, LOB; Ookland IO, Lob Angeles S. 2B; Henderson, HR; Hatcher (II, Can-

Louisville 20. Virginio 28 .

Moratioli 50, E. Tennessee 5t. 14

Mississioni 25, Arkonsus 51, 22

N. Correlino 51, 46, North Carolino 2

S. Mississioni 38, Mississioni 51, 21

Vanderbill 34, Flortida 9

Wide Senett 27, Meryland 34 H RER BB SO Wake Forest 27, Maryland 24

Villiam & Mary 33. New H Cent. Michigan 21, Bowling Colordos 21, Karasas 9 E, Michigan 14, Boll St. 72 Illinois 34, Wisconsin 4 Indiana 33, Minnesota 13 Iowa 17, Michigan 17

Salk: Slewart, WP: Slewart.
Umples: Home, Harvey (AL); First, Merill (AL); Second, Froetuning (AL); Third,
Coulins (AL); Left, Crawlard (AL); Right, World Series Schedule Oct. 15: Les Angeles 5, Ocidend 4 Oct. 14: Ocklond (Davis 16-7) et Les Ange | Hershiger 23-8 | Oct. 18: Les Angeles et Ocklond Oct. 19: Les Angeles et Ocklond

DOOD Leary P

Woodsn ph Hollon p

x-Oct, 20: Los Angeles of Ookland x-Oct, 22: Cokland at Las Angeles x-Oct, 23: Cokland at Las Angeles

TENNIS MEN'S TOURNAMENTS
(At Textonic, France)
Semitimals
Andrel Chesnolov, Soviet Union, def. Cartsion Berostrom, Sweden, 7-5, 4-2,
Jimmy Conners, U.S., def Jokob Hiosekiwitzerland, 5-7, 7-4 (7-2), 6-3.

Connors del. Chesnokov. 6-2, 6-0. (Al Sydney, Australia) Semillosis Richard Matuszawski, U.S. del. Mayotte 141, U.S. 7-6 (8-6), 6-4 Siebodan Zholinavic (5), Yugastavi ndres Gamez (2), Ecuador, 6-4, 6-2 Final

rollnovic def. Matuszewski, 7-6 (10-8). 4-1. MOMENS TOURNAMENT L) Pilderstod, West Garmany) Samifinals to Novrollbro, U.S., dal. Evo Pioli,

Nevratilava del. Evert, 62 63.

SOCCER ENGLISH FIRST DIVISION hariton 2. Aston Villa 2 oventry 6. Authwall 0 weens Park Rangers 2. West Ham 1 Points: Norwich 16; Millwall 15; Coven 3: Liverpool, Monchester United, So

on 11: Arsenol, Sverton, Queen's Pork Ron ers, Sheffield Wednesday 10; Additestrous Charlinn's; Notlingham Forest, Derby, Ast Villa, Luten 0; Tottentom, Wimbledon Newcastie 5; West Hom 4, FRENCH FIRST DIVISION 51. Elisque 2, Lille 0 Nice 1, Amerre 0 Strasbourg 2, Toulon 1 Aerselle 4, Coen 2

Leris G. Merit 2
Bordeaux S. Nomies 0
Sechoux 2, Toulouse 2
Monthellier B. Commes 0
Polasts Perins SG 31; Auserne. Monsellie 30:
Nice 27; Bordeaux, Monoco, Nomies 36:
Connes 25; Metz 22; Sochoux, Monthellier.
Toulouse 22; Lille 21; Montra Rocinii 20; Toulouse 22; Lille 21; Metz 20; Sochoux, Monthellier.
Toulouse 22; Lille 21; Montra Rocinii 20; Toulouse 12; Lille 21; Metz 20; Solni-

HOCKEY

Pitisburge NY Islanders New Jersey

on St. 36, Northwester N. lower 34, littinois 5t. 7 Notresia 65, Oktohoma 5t. 42 Notre Dome 31, Microl, Fic. 30 Onto U. 38, Microl, Ohio 21

Neoroska & C. Ducanoma St. 42.
Notre Dome 31, Mikant, Fic. 30
Oriso U. 38, Microt. Onio 21
Purskes 31, Onio St. 26
S. Illineis 18, Indiana St. 7
Toleto 31, Austin Peary 14
Vounceiown St. 41, Towson St. 39
SOUTHWEST
Arkonsas 27, Texos 24
Houston 82, Tube 28
Larnor 35, Alexan St. 4
North Texas 37, McNeese St. 0
Okishomo 76, Kaneas St. 24
Texas AsAM 28, Boylor 14
Texas Tech 38, Rice 36
Texas AsAM 28, Boylor 14
Texas Tech 38, Rice 36
Texas El Paso 34, Colorado St. 14
Facto St. Utch 54
Arkona Cs. Washington St. 28
Briefnon Young 37, Texas Christian 1
Fresto St. 51, Utch St. 10
House 32, San Diego St. 30

Howa 0 12, San Diego St. 30 , Hotho 31, E. Weshington 22 Long Beach St. 24. Pullerton St Montone 33. N. Artzane 26, 201 Montone St. 51. Bolse St. 7 Montona St. St. Bolse St. 7
Mey.-Las Vegas Zž. New Mexico St. 20
Oreaca Sž. Idabo St. 7
San Jose St. 35, Pacific U. 17
San Jose St. 35, Pacific U. 17
Stantord St. Artzana St. 3
UCLA 38, Colifornio 21
Weber St. 37, Nevado-Rena 31
Wyonding SS, New Mexica 7

**CFL Standings** 

GOLF

the Texus Open golf tour noment, bejon pic of the 6576-yeard, par-76 Oak Hills Con Corey Pavin Tors Pernico Tors Kite 63-46-67-178 -12 67-46-67-209 -10 67-65-68-201 -9 67-65-68-202 -8 68-68-67-203 -7 68-67-68-203 -7 Ben Crenshow Payne Stewart Pat McGowan Roger Matthle

National Hockey League Standings WALES CONFERENCE

Nortund (3)1 MocLean 2 (3), Johnson (2). W L T Pls GF GA 30; New Jersey (an Roy1 11-10-11-32 Washington 4 2 2-8 Christian 3 (6), Phronks 1 (2), Halcher (2), Christian 3 (6), Physica L (2), Holder L), Stovers III, Garfiner (4); Moller II), Mo-cheon (4), Verbeck (1), Johnson (3), Shano-hon (11, Shais at good; New Jersey (of Peeters) 7-16-15—38; Washington (on Souve) 13-11-7—31,

Detroit 1 0 4-5
Teroide 2 1-3
Borr 2 (4), Groves (1), Fryort 2 2 1-3
(S): Olczyk (4), Morols (4), Reid (1), Shets se
soat: Detroit (on Bester) 5-412-22; Toronto
(on Stoton) 7-13-7-27.
Philladelahi-Howe (1), Propo (4), Poulin (1), Suffer (3); Carpenter (3). Shots on goal: Philadelphia lon Heatyl 8-10-4--27; Los Angeles (an Hex-talil 8-1)-12--31. Monsreal N.Y. Islanders 

Housley [1], Nupler (2), Turpson 2 (2), Fo-lione (3); Lette (1), P.Stostny (4), Sokte (5), Picard (1), Shots on goat: Buffale Ion Brun-ette) 14-10-6—30; Quebec (on Puppe) 4-72-10—

26.
St. Lauls
Defroit
Optics 2 (2), Norwood (1), Borr (2), Frycer
[1], Yearmon (4), Higpins (1), MocLeon (3);
Pessowski (3), Hrico: (1), Tothle (2), P.Covalini (2), McKesney 2 (4), G.Cavallini (3), Stots on pool; St. Louis (on Honloni 8-11-14-6—39;
Detroit (on Milited) (0-18-6—36.

Mustreal

1 2 2—7

Manufactiv
1 0 2—8

Active (2), Garage 2 (2), Ciccare 10 (2) (3), McPrise 11, Carson 2 (2), Ciccare 12 (3), McPrise 13, McPrise 14, McPrise 15, McPrise 16, McPrise 16, McPrise 16, McPrise 17, Carson 2 (2), McPrise 18, McPrise 18

BASEBALL

Matienal Basketball Association MOUSTON—Signed Deryick Chievaus, forward, to a three-year contract. NEW YORK—Signed Gerald Wilkins.

FOOTBALL Consider Feethell League
BRITISH COLUMBIA—Activated Mack
Macre, detensive backs, from practice-ruster.
Re-activated Willie Gillus, quarterback, and
Regels Toylor, renalingback, from reserve
list. Transferred Jeff Braswell, linebacker,
and Mott Dunigan, quarterback, to reserve
list. Rejeased Rob Marvito, linebacker.

CHICAGO-Activated Larenze Lynch, the Injured reserve.
CLEVELAND—Activated Charles Buchan-

women's posteriball coach and Mary Voll women's assistent basketball coach,

### Whatever Happened To Moïse Kisling?

PARIS — The name Kisling still rings a bell, but in the great days of Montparnasse it was a carillon on its own. No painter was more at the center of the

#### MARY BLUME

carousing and the nightlong lofty talk; no painter was more promising and praised.

Picasso called him great, Coc-teau called him pure. Matisse said he was one of the finest portraitists of his time and in an article called "What Do You Think of Kisling?" in a 1926 issue of Vogue, Braque replied, "Bravo for Kisling and his robust art."

Except for a flurry on the Japanese market in the early 1970s and a retrospective at the 1984 Salon d'Automne, Kisling isn't given much thought these days. He died in 1953 and maybe his success was always bound to the exuberance and generosity of his personality. His son Jean remembers that Kisling wore black tie almost every night in Paris and went to all the grand dinners: He was mondain, Jean says, but not a peintre mondain like Jean-Gabriel Domergue, whose work was never

highly considered. Jean Kishing, 66, a retired Air France captain, devotes his life to his father's work. He organized the small show of eight late paintings on view at the Mairie of the 16th Arrondissement of Paris until Oct. 26, and he is working on the third volume of the catalogue raisonné of Kisling's 2,000 paint-ings. The first volume took 17 years, the second 12 and the third will take 11 or 12 years.

The catalogue is drudgery, but it brings back to life a beloved father and a lost era. Jean's wistful face lights up when he speaks of his father and sometimes he says it is not really so wonderful to have had so happy a childhood because you are so ill-prepared

for what happens after.

Moïse Kisling was born in 1891 in Poland, where his father was a prosperous tailor. His professor Kraków thought him a prodigy arrived in 1919, the same year as on his orders and rarely had

He cut his dark curis into a fringe and with his high red cheeks and small dark eyes he looked like an Eskimo - an Eskimo plumber in his blue overalls and red neckerchief, the writer André Salmon said. Everyone called him Kiki

Kiki fought a duel in 1912 that was covered by newspapers and an early newsreel, and his atelier at 3 rue Joseph-Bara was said to be the Left Bank equivalent of the

Except for a flurry on the Japanese market in the early 1970s and a retrospective in 1984, Kisling isn't given much thought these days.

Bateau Lavoir, a haven for artists and painters and writers. He went painting in the south of France with Picasso and was Modigliani's closest friend, giving him stu-

dio space and paints.

"Today there are Modiglianis signed Kisling and Kislings signed Modigliani," Jean Kisling says. When Modigliani died a pauper, Kisling paid for the funeral, following the instructions of the painter's brother in Italy of the painter's brother in Italy who said Modigliani should be buried like a prince.

Kisling was charismatic and lucky, invited to show in the 1913 Salon d'Automne because there was space in the salle d'honneur next to Bonnard and Matisse. The dealer Vollard liked what he saw but said let him starve for 20 years and then we'll see.

Kiki never starved. In the '20s and '30s he had so many commis-

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enough work to exhibit.

"He was a star. When I was bttle people would turn in the street and say, the painter Kis-ling! as they might say Belmondo! or Bardot! today," Jean says.

When World War I broke out. Kisling was in Holland but returned to France to join the For-eign Legion and nearly died of his wounds in 1915, the only man in his company to survive. He mar-ned Renée Gros, the daughter of a commandant in the Garde Républicaine and the wedding hunch continued late into the night at the rue Joseph-Bara. The police were called and Kiki had to pay them off with paintings. A policeman's broken jaw cost two can-

Max Jacob, an uneasy convert to Catholicism, said of the cele-brations: "I asked God to forgive me for having gone to this wed-

Renée Kisling was a strangely marvelous-looking woman — a great handsome sea-monster, a friend said — with a tendency to throw punches at guests who left her parties too early or whose lack of decorum offended her. "She couldn't bear bad manners," Jean says. "Once when I was with her on the Métro a sailor gave her the eye and she knocked him out with

Like many Montpercussians, the Kislings moved on to the south, eventually settling at San-ary, a small port near Toulon, where the Aldous Huxleys were

neighbors and good friends.

My father spoke nine languages. I never met anyone so complete, so full of goodness, un-derstanding and tolerance," Jean

The house was always full of guests and was remarkable for beng on ooe floor and for having a bathroom for each bedroom. The natives said the painter Kisling has five bathrooms, what for?" Jean says. Renée served marvelous meals at a large refec-tory table, the two Kisling boys grew up like happy sunburned



Moise Kisling posing in front of one of his paintings in 1920.

savages, and Kiki worked and

"He traveled a lot and since he had no dealer he had to make his own contracts. I never saw my father sleep late or take a siesta," Jean says. One visitor sensed a weariness behind Kiki's bonho-mie but Kiki seemed unaware. "We should be able to read in a canvas the joy that a painter felt in creating it," Kiki once said. In 1932 be received the Légion

d'Honneur. By the late 1930s crit-ics were referring to him nostalgi-cally as a survivor of the good old Montparnasse days, but he had other concerns. He tried to enlist in the French army in 1938 but was turned down, and when war came as a Jew he had to escape via Portugal, characteristically un-

able to resist a last joke. Have you anything to declare? the officer at the frontier asked, to which Kiki airily replied, 10 mil-lion. Ten million? Yes, said Kisling, holding up his 10 fingers. One million each.

He landed in New York and gave a large and well-attended party within 10 days of arriving Jean, who had escaped from a German prisoner of war camp, joined the U.S. Army Air Corps and met his father in New York.
"He was always gay. When I went out with him everyone said 1 was the father and be was the son." But when Jean wanted to go out nights, Kiki said we are not here for fun and they would wrap packages to be sent to France.

His apartment was like a grocery store for making packages, a friend said. He served on committees and organized art shows across the United States in which he refused to include pro-German French arrists.

Kiki came back after the war with 48 trunks of clothing and supplies for needy artists. He showed in 1951 for the first time since 1937, Critics began to find a certain vulgarity in his work, to which he replied, painting is a battle and one does not come out of every battle with distinction.

He died while preparing a show and Renée followed seven years later, in 1960. Jean never married but his younger brother lives with his family in the house at Sanary, which still has Renee's refectory table and a map that Kisling made in New York to follow the progress of the war. Inch by inch, it is covered with tiny colored pins and it is perhaps his most affect-ing work. In 1955, in Sanary, the boulevard Kisling was dedicated by the municipality, a short wide road that leads to a dead end.

# Measuring Candidates by the Gaffe By William Safire VASHINGTON — Senator VLloyd Bentsen "was not likely man's tool to a man's

to make any big national oews, said his press secretary, Michael McCurry, "because he's not prone tion, harsh criticism." That underto error. He registers very low on

the gaffe meter. laugh meter, a device to register saff—or in French, une saffe—is audience merriment on a radio show named "Can You Top This?" which in politics is a mistake. starriog the comedians Harry blooperdom caught it instantly.

the uncorrected version for the evening news, and led with it." getting coverage by a gaffe, our word of the day.

Asked by a reporter whether he was "prone to gaires," Bush replied ruefully, "Thai's true, that's true." He also benefited from one: When the Chinese leader Deng Xiaoping said of Bush, "I hope he will be victorious in the elections," the Reuters oews agency wrote, "Diplements oews agency wr lomats say Deng made a protocol gaffe, but his views probably reflect the views of China's leadership." As a result of what William F.

Gavin, a Republican congressional side, derides as the "Great Gaffe

It's a French synonym for faux ready begun to go high-hat.

pas, or "false step," but its roots may be found in the Old English 1988, from William H. Mar gaf-spraec, "coarse, ribald speech," remarks that must have shot skyward the eyebrows of Spenser's Fa-

erie Queene.

Gaffer, which began as a term of respect for an old man, is apparentoverseer," and the term has been applied in glassmaking to the mas-ter glasshlower. Now, gaffer also refers to the chief electrician for a film production, but the most widely used meaning is as an affectionate synonym for codger, without the power overtones of geezer.

the past is "rude speech, vociferahes the slang expression, to stand the gaff, or "to put up with the abuse that comes with the territory." Thus,

To the synonymy: error and mis-Hershfield and Joe Laurie Jr. take are simple English words self-the progress of gaffe to its present and we can ignore them. Fluff more often used as a verb than a bloomerdom canaba is insecurity. noun, means a mild slip of the lip, a "Language gaffes and misspoken mispronunciation or misreading, phrases," writes the columnist Su-Flub, again both noun and verb, zanne Fields in The Washington has a stupider connotation; boner, Times, "call on associations that from "bonehead," has fallen into antomatically sweeten or offend disuse; a boo-boo has a jocular our emotions, if not our intellects." baby-talk overtone: a goof is a mere When Vice President George slip-up quickly forgiven. A blooper Bush erred egregiously on the date is a stunning mistake, getting seri-of Pearl Harbor, "the networkmeis-ous, usually resulting in a flap, curof Pearl Harbor, "the networkmeis-ters of the Gaffe Patrol packaged rently being exceeded in attention-

> Beyond a gaffe lies a blunder - 3 strategic error that goes beyond misspeaking." To fail to exercise

1 HE Veterans Administration, which is soon to be upgraded to a Flappe," it behooves us to research cabinet department as part of Ron-the word describing an action on ald Reagan's pledge to trim the size of the federal bureaucracy, has al-

A memorandum dated Sept. 7, 1988, from William H. Manley to "All Service Chiefs" on the subject of "Organizational Name Change" reads in its entirety:

"lo accordance with a Central Office directive the title 'Supply Service' has been changed to 'Ofly unrelated. It originally appeared as a contraction of god/ather, or perhaps grand/ather, when it was first used in the 1570s. By the 1800s, gaffer meant "foreman, overser," and the term has been changed to "Office of Acquisition & Materiel Magagement Service."

I don't know what the "(90)" stands for, perhaps the average age of the people in the "Central Ofmittee with Soviet-sounding connotations that could use a little

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"and" in the title, when sending in a requisition slip for paper clips, will be shipped to Novosibirsk.

In the U.S. Army, when we turned in our government-issue uniforms and gear before being discharged (explaining the damages with an innocent but this is the way it was issued, Sarge"), the man who glowered back at us was known as the supply sergeant. As bureaucratic pomposity continues to triumph, he will become known as the Acquisition & Marériel Management Sergeant.

Economists are already bracing for an apdating of the theory developed from the discussion of supply and demand by Adam Smith in 127 1776 "An Inquiry into the Natur." I and Causes of the Wealth of Nations," a theory that will soon be known as the Theory of Acquisition & Materiel Management & Demand. (The old demand can be replaced by "Necessitation & Requirement Management.") Arthur Laffer, Jack Kemp and others who believe in growth through tax cuts will be called Acquisition & Markriel Management-Siders.

The name of the upgraded agency with the upgraded titles is Department of Veterans Affairs. It is the only department with an error in punctuation built into its name. Maybe its Central Office can cause its Office of Acquisition & Materic Management to buy or otherwise acquire or accession what is evidently considered immateriel: an apostrophe to put after the "Veterans."

Afterthought: As the misspelling of immaterial above indicates, I have always had a problem with material and materiel. The former means anything made of matter and having substance. Materiel, with its acute accent, comes from French and refers to work equipment or tools, specifically the wespons and supplies of armed forces:

U NU, the former leader of Materiel Maoagement Service Burma, is back in the news. He was the Last Palindrome - the only recent head of government whose name is spelled the same backward as forward. We palindromamaes fice," a place or disembodied com- missed you - and U Nu it all

New York Times Service

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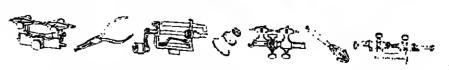


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